BUSINESS WEEK





Wilson and Peake (left): How the Indiana Standard team works (page 75)

A MCGRAW-HILL PUBLICATION

MAR. 5, 1955

OXEOSD OHIO
PERIODICAL RECORD
MICHAL UNIVERSITY



"National Accounting Machines save us \$36,000 a year... return 96¢ annually on every \$1.00 invested."

-BRYANT HEATER DIVISION

"Makers of World's First Automatic Gas Heating Equipment"

"National Machines in our Cleveland Headquarters and our other plants pay back, annually, 96¢ on every dollar of their purchase price, saving \$36,000 yearly.

"Ours is a complex, ever-expanding line, so we chose an accounting system with great care. Nationals enable us to handle increased volume of work with the same staff, eliminating costly overtime; yet we keep our management and our sales force constantly informed with up-to-date sales analyses and other important information.

"We are so pleased with this efficiency and the simplicity of operation that makes operator training easy—that we are equipping all our offices with Nationals."

Vice President and General Manager

BRYANT HEATER DIVISION — pioneer in automatic home heating equipment, is also the creator of the new "Command-Aire" Twins for practical year-round air conditioning.

In your business, too, National machines will pay for themselves with the money they save, then continue savings as annual profit. Your nearby National man will gladly show how much you can save—and why your operators will be happier.

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
949 OFFICES IN 94 COUNTRIES



RESEARCH KEEPS B.F. Goodrich FIRST IN RUBBER



Rubber blows a boxcar full of flour

A typical example of B. F. Goodrich improvement in rubber

That special railroad car holds 50 tons of flour—more than the average family would use in a lifetime. But some bakeries need that much rushed to them every day.

Loading flour into cars like this used to take a gang of men, who had to struggle with heavy bags which cost money to make and fill, and more money to handle. Then a midwest miller saw an oil tanker being loaded by B. F. Goodrich hose—wondered if bulk shipments of flour could be handled as fast.

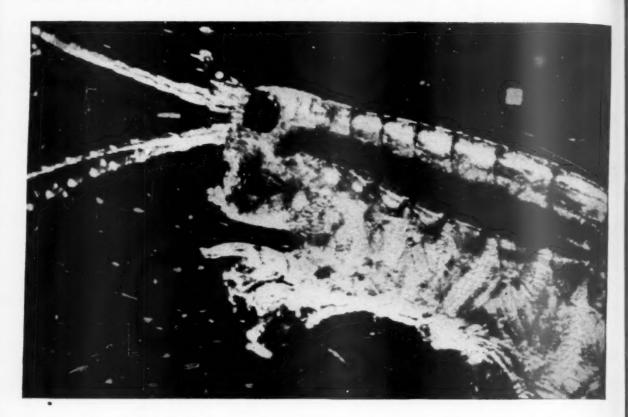
He talked it over with B. F. Goodrich men, and together they worked out the "filling station" method you see in the picture. B. F. Goodrich engineers came up with an improved kind of hose that's light, easy to pull around, won't flatten or kink on sharp corners. Workers say the hose is a cinch to operate. Poke it down a hatch, turn on the blower, and the flour pours through at a fast 800-pounds-a-minute clip. Savings? Plenty! Each car loaded this way saves some bakery about \$250.

Product improvement like this is always going on at B. F. Goodrich. New ways are constantly being found to make hose, conveyor belts, V belts work better, last longer. No product is ever

regarded as "finished" or standardized.

How this cuts your costs: Because of these improvements and because B. F. Goodrich is one company that will never lower its quality standards, you can be sure of top performance and real money savings when you specify B. F. Goodrich. To find out about the latest improvements in the rubber products your company uses, call your BFG distributor or write The B. F. Goodrich Company, Dept. M-386, Akron 18, Ohio.

B.F. Goodrich
INDUSTRIAL PRODUCTS
DIVISION



Portrait of a big appetite

This snapshot of a gourmet who can find a full course dinner in a drop of water is an example of the new science of microphotography, explained in a recent issue of Parade, the Sunday picture magazine. More than ten million Sunday newspaper readers in nearly 50 key markets saw it—and stopped to read it.

Important articles like this, week after week, make Parade the best read magazine in the country, according to independent surveys, and give advertisers twice as many readers per dollar as the big weekday magazines.

No doubt about it: To open new markets, to establish brand names, to build sales every day, all week long—Parade has what it takes.

Parade ... The Sunday
magazine section of 47 fine
newspapers in 47 major markets ...
with more than 14 million
readers every week.



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Questions and Answers on Transportation in South Carolina



Q. What kind of highway system and trucking facilities are available?

A. South Carolina has a network of 23,911 miles of highway, 16,300 of them paved. By-passes, urban high-ways and dual lane highways make up many miles of the system, and every large town is served by at least one major highway.

Four hundred motor carriers op-

erate truck lines over the state, and

interstate.

Q. Is there rail and air transportation?

A. Three major rail systems and seven other lines serve South Carolina with excellent East-West, North-South

connections.

Five major airlines connect South Carolina with all parts of the nation.

Eight major cities are served by 91 daily flights of scheduled air carriers.



Q. What about ocean shipping and port storage?

A. Direct rail and truck lines serve the port of Charleston and the two er ports of Georgetown and Port Royal. 30 steamship lines have regu-larly scheduled service to more than 100 ports of the world.

Almost a million square feet of tile and concrete storage space is avail-able. Charleston's mechanical cargo loading equipment is the finest in the

The South Carolina State Development Board has statistics and other information on South Carolina's eight industrial advantages to you. Write, wire or telephone LD 94 today for information, in confidence without obligation.

Write for "South Carolina on the March" -a survey of the past ten years' progress in the state.

State Development Board Dept. BW-3, Box 927 Columbia, S. C.



wanted:

more

Management men are discovering the tremendous production gains and cost savings that result from uninterrupted operation of an entire stamping line. Since Danly Presses offer maximum freedom from mechanical failure, lines composed entirely of Danly Presses can produce more finished stampings per shift without work stoppage, without high maintenance costs in time and labor.

Danly Press lines actually turn out more finished stampings per hour, too. Danly Drawing Presses, pace-setters for the line, are designed with a special slide motion that doubles stroking rate without exceeding safe drawing speed. Output from these Danly Drawing Presses keeps the whole line working at full capacity.

Now—why are Danly Presses able to provide such remarkable advantages? For the most part, it's due to Danly's special design and heavier construction. Pressurized oil lubrication reduces maintenance by hundreds of hours every year. Heavier, more rugged construction meets day in and day out peak-load requirements. Danly's cool-running clutch and brake wear less...run longer before replacement. Simplified electrical and pneumatic control devices increase both operator and machine safety.

Because press downtime losses affect *your* entire production setup, it will pay to have a Danly Press engineer give you the complete story on how to lick this problem. Write or phone today.

DANLY MACHINE SPECIALTIES, INC.

2100 South Laramie Avenue, Chicago 50, Illinois



It costs less to run a DANLY PRESS line!

specify:



finished stampings per shift



DANLY PRESS LINE



Dearborn

LEADER IN WATER CONDITIONING AND RUST PREVENTION

DEARBORN CHEMICAL COMPANY • MERCHANDISE MART PLAZA • CHICAGO 54, ILL.



Nothing...except that it's so rarely found in its pure state. Even rain, nature's closest approach to pure water, contains carbon dioxide and dissolved oxygen. So it is, in varying degrees, with every surface or underground water supply. All waters have certain corrosive impurities that must be corrected or neutralized before they can be economically used. There's where we come in.

Since 1887, Dearborn has worked with water to make water work better and more economically for you. That's why, today, industrial and commercial businesses of every size and type look to Dearborn for consultation and assistance in—

- * Internal or external feed water treatment
- * Steam purity control
- * Feeding, softening or de-ionizing equipment
- * Cooling water or process water treatment
- * Water reclamation
- * Treating industrial waste

This broad experience of Dearborn's is available to you. Your Dearborn Water Treatment Engineer will gladly explain the advantages of Dearborn Supervisory Service—a program in which you use only the amount of service you need.

Why not investigate? There's no obligation.

MAIL THE COUPON!

Dearborn Chemical Company
Merchandise Mart Plaza, Chicago 54, Illinois

Please furnish more information on Dearborn Water Conditioning
Have a Dearborn Water Treatment Engineer call

Name. Title.

Company.

Address.

Zone. State.



"Superior" tubing cuts 80% of cost of filling tube in Sheaffer's Snorkel pen

The interior diameter of the filling tube in Sheaffer's new Snorkel pen is only .052". Originally this tube was made of 14K gold to prevent corrosion. But Superior metallurgical and production consultation achieved equivalent results at lower costs by using a substitute high nickel alloy material for this mass-production item. The material had every advantage. It was resistant to the corrosive action of ink. It had the required rigidity. It could be easily worked. Most important, however, it reduced the cost of the filling tube in the Snorkel pen nearly 80%.

The moral of this story is this: whenever you have a tubing problem, it pays you to consult tubing specialists. Write SUPERIOR TUBE COMPANY, 2009 Germantown Ave., Norristown, Pa. On the West Coast: Pacific Tube Company, 5710 Smithway St., Los Angeles 22, Calif.

Superior Tube The big name in small tubing

Superior makes ever 55 analyses in tubular form: carbon, alloy and stainless steels—nickel and nickel alloys—beryllium copper, titanium, zirconium. Sizes range in diameter from .010" to %". Certain analyses in light walls up to 2½" diameter.



Basic information for your design engineers is contained in this 8-page booklet—"A Guide to the Selection and Application of Superior Tubing." Contains technical and application data on standard alloys. Send for your free copies today.

READERS REPORT

Coup Scooped

Dear Sir:

That was quite a scoop on Malenkov... (A Tougher Team in the Kremlin) [BW—Feb.12'55, p25]. You fellows really are flexible. It was a great job and I'd like to add my congratulations.

SYDNEY H. EIGES VICE-PRESIDENT IN CHARGE OF

NATIONAL BROADCASTING CO., INC. NEW YORK, N. Y.

Dear Sir:

The Cover illustration on Busi-NESS WEEK for Feb. 12 could not have been more appropriate. It vividly portrays the "Man on Horseback" and depicts a warning to liberty-loving Americans not to let it happen here.

J. B. JOHNSON

MANAGER-SECRETARY
THE OHIO ELECTRIC UTILITY
INSTITUTE
COLUMBUS, OHIO

Read All About It

Dear Sir:

I read with considerable interest . . . Newspapers: Lagging Downtown, New Life in the Suburbs [BW—Feb.5'55,p134].

Your coverage of the subject was excellent. . . . However, I feel it only fair to call your attention [to] the reference to Long Island, in which you indicate that the circulation of Newsday is now well into the 250,000 class.

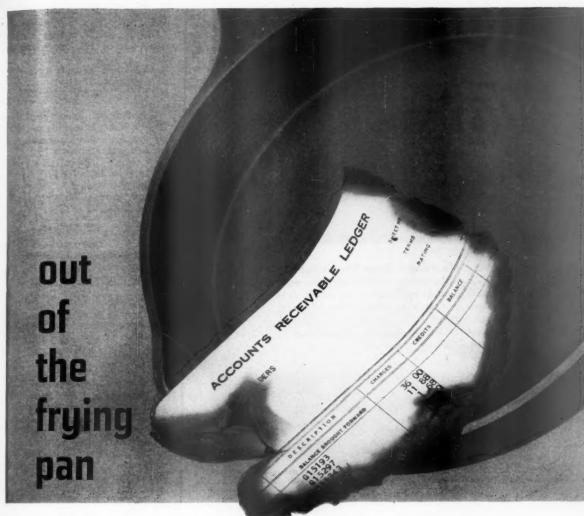
ABC records show the circulation for Newsday as of Sept. 30, 1954 . . . was 213,813. The ABC figures for the total year are not yet available. That's why I question your projection.

... Also ... the circulation of the Long Island Daily Press, as of Sept. 30 '54 was 217,040 net paid ABC.

THEODORE NEWHOUSE
ASSOCIATE PUBLISHER
NEWHOUSE NEWSPAPERS
JAMAICA, N. Y.

Dear Sir:

... The Boston data in the boxscore on page 136 interests me because while it shows the Boston suburban papers increasing 10,763 circulation in the 9-year comparison, and all Boston dailies as a group losing 153,312, it must be noted that the Boston Daily Record-American . . . reversed this losing



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... "INTO THE RED" is putting it mildly. It's actually bankruptcy in four out of ten cases where business records are destroyed by fire. Ordinary steel files heat up just like a skillet — contents start to char in as little as five minutes. Obsolete safes are no protection.

Find out now, before your fire strikes, exactly to what risks your vital records are exposed. The Remington Rand BUSINESS RECORDS FIRE HAZ-ARD CALCULATOR will tell you quickly and accurately, without cost, whether you have the record protection your business requires.

Your Remington Rand representative can show you over 200 models of certified insulated equipment for "point-of-use," 24 hour-a-day, record protection

- about the cheapest permanent insurance you can buy. See him at your nearest Remington Rand office, today.

Free! Business Records Fire Hazard Calculator. Tells what the duration of your fire would be . . . takes into account popular misconceptions about fire-proof buildings, steel files, insurance, and safes. Write for SC745 and your copy of "Down, but not Out," SC684. Room 1302, 315 Fourth Avenue, New York 10, New York.



Remington Rand



You've never heard his voice! Harpo Marx is famous and funny, yet you never hear him utter a sound. If everyone were like him, there'd be little need for sound conditioning. But people do talk—and in offices, for example, there's the added clatter of typing, the pounding of heels on hard floors, the jangle of telephones—all of which jars nerves and lowers efficiency. The solution? A Gold Bond Acoustical Ceiling.



Gold Bond Sound Conditioning is beautiful!

This happy receptionist is holding Gold Bond Travacoustic—
a remarkable material that will free your office from distracting noise,
and make it better looking, too. These tiles are lightweight, easy to
install and can be repainted without affecting sound absorption.
A Gold Bond ceiling does two jobs at the same time—it sound
conditions and remodels—at one low cost!

Call your Gold Bond Acoustical Contractor

He will show you all 6 Gold Bond Acoustical Products...and recommend the one that best fits your sound conditioning problem and your budget. You'll find his name in the Yellow Pages of your phone book under "Acoustical Contractors." For free magazine, "The Decibel," giving you actual acoustical case histories, write to:

NATIONAL GYPSUM CO., BUFFALO 2, N. Y.



trend by gaining 44,404 circula-

In other words, against a combined loss of 197,716 circulation by the other Boston dailies, the Record-American with its 44,404 gain outgained the gaining suburban papers by a ratio of more than 4 to 1....

Therefore, the Record-American alone in Boston is meeting and beating the challenge of suburban ... versus downtown papers....

ERNEST HOFTYZER

ADVERTISING DIRECTOR RECORD AMERICAN BOSTON, MASS.

Dear Sir:

Congratulations on this excellent article. . . . Your report on newspaper circulation gains in suburban areas was sweet music indeed. May I obtain permission to quote from it? . . .

... The substance of the article ... is so obvious, I wonder that more have not realized it and commented upon it long before this.

. . . You concentrated on the effect of suburban growth upon the circulation of daily newspapers. In so doing you overlooked one of the most amazing phenomena in modern American industrial history—the resurgence and the spectacular growth of the weekly newspaper....

The weekly newspaper is the oldest medium of public communication still in regular use today. Some of our present day big-city dailies were sired and whelped by weeklies of yesteryear . . . 66% of our Greater Weeklies newspapers are more than 50 years "young." And believe me, they are young and virile. . . .

You . . . seem to think that when a daily "pops up" in a suburban town, weeklies in the area wither away. Not so! We have member weeklies with daily competition in their own towns, and our weeklies are more than holding their own. . . .

Do advertisers use our weekly newspapers? You bet they do. And as suburbia grows, more national advertisers are turning to . . . weeklies. . . . You . . . pinpoint the appeal of the home town paper. Folks want to read about their local government, their schools, churches, clubs, and the local "gossip" they simply cannot get in the daily papers. . . .

You . . . echoed the concern of many over the effects of absente ownership on the quality and influence of some city dailies. As a daily becomes more and more of

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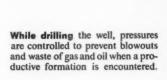
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of 955 Searching out the likeliest location is the first step in drilling an oil well. Phillips geophysicists chart likely formations by using a seismograph to record underground echoes from an explosive charge.





FINDING AND PRODUCING oil continues to be a business involving many risks. But Phillips Petroleum Company scientists devote much time and effort to reducing the risks of drilling and to increasing the productivity of existing oil wells.

Through improved methods of initial production, plus new techniques in secondary recovery, both pioneered by Phillips, the output of many wells has been greatly increased and extended.

Gone are the days of the oil gusher and the waste of natural gas pressure. Today, in many areas Phillips utilizes *repressuring* and *water flooding* to restore the productivity of "worn out" wells.

Modern methods such as these are good business for Phillips and sound conservation on behalf of all Americans.



After a well is brought in, the rate of production of the oil is controlled so as to get maximum economic recovery over the useful life of the well.



When an oil field becomes unprofitable Phillips may rejuvenate it by repressuring or by drilling water input wells to flood the unrecovered oil to the surface.

PHILLIPS PETROLEUM COMPANY

Bartlesville, Oklahoma

We Put the Power of Petroleum at America's Service



For Modern Business Building



Citizens National Bank, Abilene, Texas

Architects & Engineers: George L. Dahl, Dallas, Texas

Associate Architects: F. C. Olds Company, Abilene, Texas

Contractor:

Rose Construction Company, Abilene, Texas

Architectural Aluminum Fabricator:

Usona Manufacturing Company, St. Louis, Mo.

Reynolds Aluminum Applications in this Building:

Sills • Fins • Parapets • Column Covers • Coping • Louvers • Window Stools



Reynolds offers specialized assistance on aluminum applications and design problems...coordinating varied aluminum requirements for procurement efficiency and economy. Write to Architect Service, Reynolds Metals Company, Louisville 1, Ky.

SEE "MISTER PEEPERS," starring Wally Cox, Sundays, NBC-TV Network.

REYNOLDS ALUMINUM just a business venture operated to produce a profit, it does tend to lose touch with its community and with the people. [Weekly] newspapers still are a stronghold of personal journalism. The weekly editor and publisher "lives with" his readers . . . takes part in community affairs and activities . . . Try this: Without looking it up, who is the editor of the World-Telegram & Sun?

You can bet folks in Carthage, Ill., know that Don Forsythe is the editor and publisher of the Hancock County Journal. . . .

TOM DELANEY

GENERAL SALES MANAGER
GREATER WEEKLIES ASSOCIATES,
INC.

NEW YORK, N. Y.

Dear Sir

I presume your figure (1.7-million tons) of newsprint [BW—Feb. 5'55,p140—Winning Combination in the Suburbs] was in error. At today's business prices this much newsprint would cost \$214.2-million, which even the successful Royal Oak Daily Tribune would have trouble digging up. Why not try 1.7-thousand tons for size?

NEAL E. DYER BUSINESS MANAGER

COURIER-POST CAMDEN, N. J.

· We did. A perfect fit. Thanks.

The Russian Way

Dear Sir:

Your report . . . Russian Industry: An Inelegant and Single-Minded Giant [BW—Jan.29'55, p144] was very interesting, but there are some points I would like to make:

It is true that crude finishing is one of the outstanding characteristics of Russian military and civilian goods. It is also true that the Sowjets have copied innumerable Western designs. They sometimes even succeeded in getting hold of complete production lines—as in the case of their popular small car, Moskewitch, known before the war as the German Opel "Kadet."

Their crude techniques, however, were taken into consideration in designs of their own as well as in Russian copies of U.S. and other designs. So far so good. In the satellite (countries), however, Sowjet production methods were forcibly introduced in manufacturing industrial and consumer goods whose proper function depended on maintaining close tolerances. And this is where the trouble



They don't always tell you about the things they appreciate . . .

No one is likely to come up and thank you personally for the good lighting, or the small comforts you provide for company washrooms.

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However, if conditions in washrooms are unsatisfactory, employees feel strongly about them—just as you would yourself. And chances are they discuss this dissatisfaction among themselves.

For instance, nobody likes hard, rough paper towels. That's why it's important to remember soft, absorbent ScotTissue Towels next time you buy. Scott is the brand most people buy for their own homes—and it's natural that they'd like to see ScotTissue Towels where they work.

Your local Scott representative would like to tell you about ScotTissue Towels—especially from a cost and consumption point of view. Phone him today. Also Scott offers a "Planned Poster Program" designed to promote washroom cleanliness. It's yours without obligation—simply write Scott Washroom Advisory Service®, Scott Paper Company, Department BW-2, Chester, Pa.

It's good business to use SCOTTISSUE® TOWELS



5104 NORTH RAVENSWOOD AVENUE . CHICAGO 40, ILLINOIS

started. This is the reason why once famous factories behind the Iron Curtain, "Jawa," a very well known motorcycle manufacturer, or automobile factories like "Tatra" or "Skoda," produce inferior quality today. The design of the Czech cars is neither poor nor dangerous, but their performance is poor due to the clash between designs requiring high standards and production methods tailored to output at the expense of quality.

On their own, these crude methods

On their own, these crude methods are not without merit, i.e. if the product is designed or redesigned to allow for this factor. Russian guns in World War II were slower than comparable German arms, but they kept on working under the most adverse conditions, whereas German submachine guns, and especially their famous MG 42 (3,000 rounds per minute), the most advanced automatic weapon, were unreliable in desert dust or subzero weather.

Tactical weapons, on the other hand, were more advanced in Russia than anywhere else. Their tremendously effective "Stalin Organ" packed more punch per pound and unit cost than any other weapon prior to it. It was easier to make than a sewing machine . . . as far as finish and tolerance are concerned, and probably didn't even cost more, apart from the truck it was mounted on.

Machine tools in Czechoslovakia are by no means an "innovation productwise." Czechoslovakia, once the arsenal of the Austro-Hungarian Empire, produced machine tools of very high quality long... before the Iron Curtain existed. To name only a very few: Skoda, originally in Pilsen, Czeskomoravska Kolben-Danek ("Praga"), the arsenals in Strakonice ("CZ") and Brno ("Z"), etc. Again, their quality today will probably be very poor due to the above reasons....

G. E. BILEK

TORONTO, ONT.

Hurricanes' Wake

Dear Sir:

Re your Jan. 29'55 issue p139 [Personal Business], "extended coverage insurance"—costs little.

I just had two policies renewed for three years' coverage. Stock company fire coverage 25¢, extended 30¢. Mutual fire 21¢, extended 38¢.

See what Hazel and her sisters did!

PERCIVAL W. CHAPMAN
CONSULTING ENGINEER
NORWICH, CONNECTICUT



Cut costs with Pure's "Simplify and Save" Plan



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If you're using more than 6 lubricants in your plant, chances are *Pure Oil's multi-purpose lubricants* can cut costs for you. Here's why: just 6 of these special lubricants are all you need—reduces your inventory... reduces chance for error in application (and resulting "down time")... and the fewer the man-hours needed for ordering, stocking and application.

Find out how Pure's multi-purpose lubricants can cut costs in your plant. Reverse the charges to your nearest Pure Oil office today.



FREE BOOKLET tells you"How to Simplify and Save."Write The Pure Oil Company, 35 E. Wacker Drive, Chicago 1, Illinois. (Offer limited to Pure Oil's 24-state marketing area.)

Be sure with Pure

PURE MULTI-PURPOSE LUBRICANTS

Sales offices located in more than 500 cities in Pure's marketing area

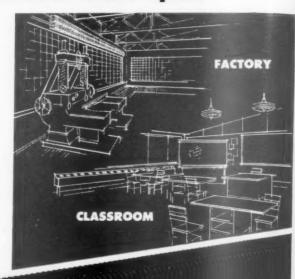
TEMTRIM by American-Standard ... low-cost, high-output heating that doesn't steal valuable floor space

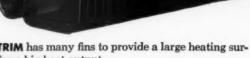
TEMTRIM is a welded steel pipe bristling with steel fins. It's one of the most efficient types of radiation ever built, yet it takes up a minimum of wall space.

Temtrim can be used with either hot water or steam systems. Lengths of Temtrim can be connected and hung on simple wall brackets in a matter of minutes. The units project only 3 to 5 inches into the room.

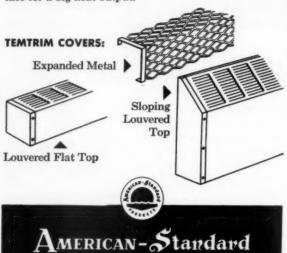
Temtrim can be installed with fins exposed, or with one of three attractive covers: expanded metal, louvered flat top and sloping louvered top. These steel covers are bonderized and finished with a gray prime coat.

Temtrim is the latest addition to the famous American-Standard line of heating, air conditioning, plumbing and kitchen products. For more information about Temtrim mail coupon to American Radiator & Standard Sanitary Corporation, Dept. BW-104, Pittsburgh 30, Pennsylvania.

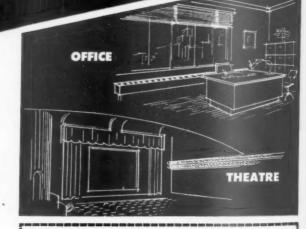




TEMTRIM has many fins to provide a large heating surface for a big heat output.



HOT WATER HEATING



American-Standard

Dept. BW-35, Pittsburgh 30, Pa.

Please send me literature on TEMTRIM.

Address.....

Serving home and industry: American-Standard - American blower - Church Seats & Wall tile - Detroit controls - Kewamee Builers - Ross exchangers - Conserna ar comminger

BUSINESS OUTLOOK

BUSINESS WEEK MAR. 5, 1955

A BUSINESS WEEK

Labor's demand for the guaranteed annual wage (page 120) is denying jobs right now to people who otherwise would be working.

Employers may not be planning it, consciously. But, in under-the-gun industries, they're hiring fewer people and giving them more hours.

This may not help unit costs. But it limits a contingent liability—the number who would be covered by GAW if it comes.

Here's a clue to GAW's impact on the job market:

Workers in Michigan's auto plants averaged 45 hours in the week ended Feb. 19. That's a record. And this is an average, mind you (not just overtime for a lucky few on the actual production lines).

At the same time, Detroit's February employment rise was small.

It's a tribute to the breadth and strength of the current recovery that jobs are as easy to get as they are, all things considered.

Actually, you can expect workers to be a bit harder to find in many areas as March advances, and many skills will be scarce. Here's the picture:

March is always a good job month. Lines that expand in the spring, plus mild weather's spur to outdoor work, see to that.

And this year the March tonic is a little headier than usual. The natural sales forces will mount sooner because Easter is earlier.

Home building—with its traditional spring upsurge—will call for more workers than ever. And autos, fast as they are going already and despite GAW constrictions, will provide some additional jobs.

Most employers see what's coming-won't be caught napping.

Here is what firms in 145 major industrial centers tell the people in the Bureau of Employment Security about their hiring plans:

- Payrolls will grow this spring in 49 of these centers.
- They'll at least hold their own in 68 of the others.
- · And only 28 can really see signs of decreases.

Hiring changes—whether up or down—will be moderate (although over half of the 145 employment centers expect a shift in direction). But even that's a sharp contrast with a year ago, when layoffs still were pretty major.

Wherever sizable changes are expected, they're the normal thing:

End of crop seasons: Vegetables pulling jobs down in Fresno and Stockton, Calif.; tobacco in Durham and Winston-Salem, N. C.; grains at the head of the lakes—Duluth-Superior.

Playland: High employment in Miami and the Tampa-St. Petersburg area soon will be on the wane.

Better-than-expected showings in autos, appliances, textiles, steel, and coal are helping the job outlook this spring.

Even so, gains tend to be spotty when you look at the map.

Against good gains for auto workers in Kenosha, you have South Bend little more than holding its own. And Michigan's centers, such as Detroit and Lansing, now benefit more from longer hours than hirings.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK MAR. 5, 1955 It's much the same in textiles and in coal. About as many textile towns figure they'll show no change as say they anticipate improvement (and that goes for the South as well as New England).

Farm equipment has bolstered at least two labor markets—the Davenport-Rock Island-Moline area and Louisville.

Even this industry, though, has some spotty results. Deere had a good sales gain in the three months ended Jan. 31 and International Harvester was up 1% (with a 17% gain in its regular lines offsetting a drop of 58% in defense deliveries). But Minneapolis-Moline had a drop.

Count the number of people lining up to apply for unemployment compensation, and you see real improvement compared to last year.

They are running more than 50,000 a week under a year ago.

New claims were averaging about 350,000 a week around this time last year. Recently, they have been well under 300,000.

You expect job shifts as industry enters the after-Christmas lull.

Last year, in the January-February period, about 3-million workers applied for unemployment compensation. This year, there were only $2\frac{1}{2}$ -million. (There is some duplication, but that gives an idea.)

Thus about half a million fewer families faced the grim experience of having the breadwinner out of work.

Last year, too, a larger number was out of work long enough to draw compensation. The rolls of those collecting grew by 400,000 in the two months a year ago, only by 100,000 this year.

Is American industry overbuilt? Do we have too much capacity?

Last year with demand slack, particularly in metalworking lines, a lot of people said, "Yes, decidedly."

But fewer would say so today. And these would be less positive.

Suppose, for the sake of argument, capacity needs to grow an average of 3% each year. (And that's probably a minimum.)

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Add on, too, for machines that wear out and go out of date.

Have you any idea how much machinery buying that means? Admittedly there are variables (depreciation rates, labor availability, competition, ability to pay). But the totals might surpise even the experts.

Replacement needs (based on age and condition) will be about \$10-billion this year, while machines for expansion will run \$11-billion, according to a new study by the Machinery & Allied Products Institute.

But there's a compound interest factor in replacements; as the total stock of machines rises, replacement mounts.

Thus, a decade hence, expansion needs may not be much larger than now—but replacement outlays will be up some 70%.

And this counts in only machines. Add on plant—replacement plus expansion—and MAPI can see capital outlays near \$40-billion in 1965 (and a lot closer to \$50-billion if the growth rate tops 3% annually).

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INDUSTRIES THAT MAKE AMERICA GREAT

RUBBER...BOUNCING HIGHER AND HIGHER

Rubber, natural and synthetic, is so elastic in its applications to daily living that millions of people ride on it, walk on it, sit on it, sleep on it—in fact, use it in more than 80,000 different products. 1,498,906 tons were consumed in 1953 alone. This industry's remarkable growth (U.S. consumption of 2,419,700 tons, or 27.7 pounds per person, is forecast for 1960) is largely due to management's wisdom in reinvesting profits in the tools of production and distribution to encourage company growth.

Anyone whose memory goes back 10 years or more can remember the heroic efforts of the rubber companies by which they averted a serious wartime rubber shortage which threatened both military transport, and family transportation. The phenomenal gains made by the rubber industry in the last decade have met civilian demands and have provided an emergency stockpile as well.

And in this history of rubber research, development and growth, steam has made—and is making—a basic contribution. Without steam and its teammate power, many of the accomplishments of rubber would have been more difficult, impracticable or even impossible to attain.

B&W, through its own vast program of research and development, coupled with boiler building experience dating back almost a century, has made major contributions of its own to the science of steam generation for processing, power and heat—and through them to the modern-day marvels of rubber.



N-195



Clad steel sheets, Blonde Mahogany and Buffalo Grain, Ginger.

CBS-COLUMBIA chooses...

O'Sullivan's new process puts beautiful, durable finish on

CBS television sets before they're made!

Sullvyne-Clad
Metal Laminate

Patents Pending

CBS-COLUMBIA was among the first of many alert manufacturers to appreciate the unique potentialities of Sullvyne-Clad Metal Laminate.

Sullvyne-Clad is a bond of vinyl plastic sheeting on metal—steel, aluminum or magnesium. It is completely flexible in application . . . can be bent, stamped, deepdrawn, punched or crimped. No special dies or drawing compounds are necessary and, since the product is pre-finished, there are substantial production line savings

For consumers, Sullvyne-Clad slashes maintenance cost. The protective coating

is ten times thicker than any conventional finish, has unequaled abrasion resistance, withstands corrosives and the effects of heat, light and weather.

The sales appeal of the rich decorative cover of Sullvyne-Clad Metal Laminate on a product is an important market advantage. Finishes far superior to ordinary paints, lacquers or enamels can be obtained in a practically limitless variety of embossings, patterns and colors.

Wherever a metal product requires a decorative finish, wherever the impermanence of its present finish is causing maintenance expense or customer dissatisfaction, Sullvyne-Clad Metal Laminate suggests itself as a highly improved basic material. Find out today how Sullvyne-Clad can facilitate your production and add to the salability of your product.

METAL LAMINATE DIVISION

O'SULLIVAN RUBBER CORP. WINCHESTER, VA.

Makers of America's No. 1 Heel

FIGURES OF THE WEEK

947-49 = 100 50		1947-49=100 150
40		140
30		130
20 /	1955	120
10 /	1933	ilo

			§ Latest Week	Preceding Week	Month Ago	Year Ago	1946 Average
Business Week Index (above)			*139.1	139.0	†138.4	121.3	91.6

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Steel ingot production (thousands of tons)	2,172	†2,191	2,070	1,686	1,281
Production of automobiles and trucks		1196,644			62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	\$51,226	\$47,168	\$48,343	\$33,933	\$17,083
Electric power output (millions of kilowatt-hours)	9,725	9,912	10,003	8,396	4,238
Crude oil and condensate production (daily av., thousands of bbls.)	6,789	6,767	6,677	6,303	4,751
Bituminous coal production (daily average, thousands of tons)	1,481	1,448	1,423	1,208	1,745
Paperboard production (tons)	259,007	262,282	257,931	228,258	167,269

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars)	68	66	65	67	82
Carloadings: raw materials (daily av., thousands of cars)	41	41	41	36	53
Department store sales (change from same week of preceding year)	+5%	++1%	+10%	+1%	+30%
Business failures (Dun & Bradstreet, number)	178	205	255	204	22

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100)	399.3	405.0	417.0	426.3	311.9
Industrial raw materials, daily index (U. S. BLS, 1947-49 = 100)	92.1	92.5	92.4	80.9	1173.2
Foodstuffs, daily index (U. S. BLS, 1947-49 = 100)	88.1	89.0	90.9	99.1	1175.4
Print cloth (spot and nearby, yd.)	18.9¢	19.0€	19.2€	19.7¢	17.5∉
Finished steel, index (U. S. BLS, 1947-49 = 100)	144.7	144.7	144.7	140.9	1176.4
Scrap steel composite (Iron Age, ton)	\$37.00	\$37.00	\$35.50	\$23.83	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, Ib.)	33.000€	33.000€	31.550¢	29.985€	14.045¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	\$2.43	\$2.48	\$2.49	\$2.43	\$1.97
Cotton, daily price (middling, ten designated markets, lb.)	34.02€	34.14¢	34.33¢	34.12¢	30.56¢
Wool tops (Boston, lb.)	\$2.05	\$2.10	\$2.10	#	\$1.51

FINANCE

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90 stocks, price index (Standard & Poor's)	292.1	1292.6	289.3	208.0	135.7
Medium grade corporate bond yield (Baa issues, Moody's)	3.48%	3.48%			
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	11-11%	18-13%	13%	2%	3-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks	56,744	156,598	58,716	54,038	1154,820
local loans and investments, reporting member banks	84,334	184,673	85,729	78,883	††71,916
commercial and agricultural loans, reporting member banks	22.236	†22,251	22,074	22,446	119,299
U. J. gov't guaranteed obligations held reporting member banks	34,750	135,057	36,441	32,476	1149,879
Total federal reserve credit outstanding	24,668	25,071	24,728	25,312	23,883

Archief Aldores of the Week	Latest Month	Preceding Month	Ago	Average
Cost of Living (U. S. BLS, 1947-49 = 100)		***********		83.4

Proliminary, week ended Feb. 26, 1955. Revised.

^{††} Estimate.

† Date for "Latest Week" on each series on request.

† Insufficient trading to establish a price.

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Inviting customers to call collect brings parts sales of \$4000 first month



Equipment Supply Co. delivers parts ordered by Long Distance.

The company serves West Texas, Southern New Mexico and Northern Mexico.

A case history of Equipment Supply Co., Inc. El Paso, Texas

To give customers quick, dependable parts delivery and service, the Equipment Supply Co. invites its United States customers to call collect by Long Distance.

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In the first month of the Call Collect Plan, sales of \$4000 in parts were attributed to calls costing only \$60. And the plan is doing more than building parts sales.

"We know that new tractor sales have increased due to this promise of

good service," the company reports.
"We have gained many new customers
as well as improved relations with
our old customers."

You can start a similar plan today. The only equipment you need is the telephone on your desk. And there are many other ways you can make Long Distance increase sales. If you would like a telephone company representative to stop in and explain them, call your Bell Telephone Business Office.

LONG DISTANCE

Here are some examples:

Wilmington to Lancaster, Pa. 40¢
Cleveland to Pittsburgh . 60¢
Des Moines to Rock Island . 70¢
Cincinnati to Evansville, Ind.
El Paso to Albuquerque . 85¢

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

Call by Number. It's Twice as Fast

BELL TELEPHONE SYSTEM







Photos above show relative difference in light output of regular slimline, left, and New High Output Rapid Start lamp, right.

NEW GENERAL ELECTRIC FLUORESCENT LAMP GIVES 1/3 MORE LIGHT THAN ANY PREVIOUS FLUORESCENT

LIGHTS ALMOST INSTANTLY—General Electric announces the most important advance in fluorescent lighting in 10 years: the new High Output Rapid Start fluorescent lamp. The 96-inch High Output lamp gives 36% more light than the most powerful G-E fluorescent lamp previously available.

For new installations, General Electric High Output lamps offer this ½ bonus of light without increasing the number of fixtures or maintenance costs.

This big increase in light, with no increase in lamp size, has been achieved through a special cathode developed by General Electric which permits a boost in lamp wattage to 100. Because the cathode is of the famous General Electric triple coil design, these Rapid Start lamps light up almost instantly. General Electric High Output lamps have a rated

life of 7,500 hours, the same as all General Electric general lighting fluorescent lamps.

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A new G-E base and socket design protects the lamp contacts by recessing them. A simple push-pull sets the lamp in its fixtures.

HAS VARIETY OF USES

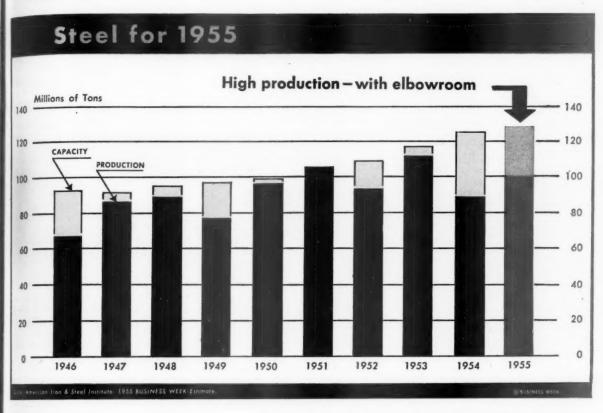
The new General Electric High Output fluorescent lamp is especially suited for use in areas with high ceilings, in factories, warehouses, offices and stores. Also in store windows, showcases and other places where you want higher lighting levels in keeping with the modern trend. New fixtures designed for the G-E High Output lamp will soon be available from a number of lighting fixture manufacturers.

For information, write to Lamp Division, General Electric Company, Dept. 166-BW-3, Nela Park, Cleveland 12, Ohio.

Progress Is Our Most Important Product

GENERAL & ELECTRIC

MARCH 5, 1955



Buyers Come Back With a Rush

If you've been worrying about what's going to happen to the steel business in the crucial third quarter, you can pretty well relax. Production will almost surely slack off but, barring a strike, it won't slump nearly so far as you might think.

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For the year as a whole, ingot output promises to be around 100-million tons (chart). That would be a healthy gain over 1954's 88.3-million tons.

• Treacherous Days—The third quarter is always tricky for steel. It's not hard to imagine that the ingot rate could slide 25 points or more in 100 days. The auto industry obviously can't hold its present pace indefinitely, and some cutback in its demand for steel is almost certain. And if you look no deeper than that, steel's third-quarter fate can seem dismal.

However, if you poke around in the trade, you find an optimism that's about as hard to shatter as it is to justify in concrete terms. Steelmen say everybody

and his purchasing agent is buying steel. That's important because the wider the buying, the less tightly steel is tied to auto output.

Right now, steelmakers say railroads are their only buyers who aren't already hip-deep in the market, and they think the railroads will be in it strongly by the third quarter.

• Autos—Such a diversity of orders helps to offset steel's uneasiness about the auto market. Steelmen have enjoyed the year's very high auto production, but their pleasure has been tempered always by concern over what would happen to their own operating rate when Detroit finally ran out of customers.

Thanks to the broadening of the order base, steel has raised its operating rate to 90% of capacity. It will go a few points beyond that by the end of March, which is traditionally a strong month for steel. So the industry feels safe in counting on a rate of about 85%

for the first half of the year, even if Detroit's steel buying slows down as expected in late April, May, and June.

If the rate averages 85% through June, the third quarter can't be really bad, steelmen say, even assuming the worst for autos.

• How It Works Out-Look at it this

Detroit has kicked off the year so fast that a figure of 6-million cars in 1955 is no longer regarded as lunacy. Assume 4-million cars are produced in the first half. That would leave 2-million for the last half, and conservative figuring would assign 1½-million to the fourth quarter. Thus, there would be a thin 750,000 cars in the third quarter—250,000 a month.

To build these 250,000 cars a month would take 625,000 ingot tons of steel each month—slightly more than 1-million tons a month less than the steel required to produce 4-million cars in the first half. Take away this 1-million

tons a month from the average operating rate of 85% for steel in the first half, and you still show an average of 73.7% for the third quarter.

This rate would be higher than steel's operating rate for the third quarter of 1954. It jibes closely with the guesses of steel sales executives, who mostly hit the range between 70% and 75%.

the range between 70% and 75%.

• The Low Spot–July, of course, is expected to be the low month, with its seasonal lull and its plant vacations in both steel and metalworking industries. Some experts predict July's operating rate will dip into the high 60s. A 67% or 68% rate then would look sick beside a crest of 92% or 93% late this month but, related to the third quarter as a whole, it wouldn't be disastrous.

• Future Markets—Somewhat surprisingly, steel salesmen don't point to any particular market as a cushion to the expected third-quarter slide in autos. Instead, they see a broad range of products booming along.

Makers of oil country goods, for example, agree that business will be good all year if the oil people drill as many

wells as they plan.

Most producers expect construction to be a big market all year. They aren't relying on the monumental projects either, they count on the smaller ones to carry business briskly through the summer.

"Oh, we still get 200-ton, 300-ton, 500-ton jobs every day," says one sales manager, "but the really big impact in the structural business comes in the smaller jobs that are done by the thousands."

Steelmen aren't admitting any worry over a slump in housing, despite the Detroit-style pace of building in the first quarter. They don't all agree on how much steel business a fat housing year will yield, but they feel that a certain amount of sheet steel will be sold for the basic appliances for every new

house.

• Scare Buying—What kind of steel buying is going on now? You get a variety of answers—buying against a steel strike (steel producers all say they don't see why there should be such a fear), buying against possible price increases later this year, buying to rebuild inventory. It all comes under the head of scare buying, says an executive of a major producer.

The theory that some buyers had cut too far into inventory last year is by no means fanciful. One producer recently took a shipment of slabs from a big customer; he will reduce them to hot bands and ship them to a second mill that will cold-roll them for shipment back to the customer.

That's a conversion deal if there ever was one—but that kind of emergency was supposed to have been over nearly

two years ago.

FCC Loses a Round in TV Fight

The Court of Appeals has thrown out commission's "multiple ownership" rules. But Congress or the Supreme Court will have the final say in the matter.

The Federal Communications Commission, already under fire from Congress for its job of regulating the television industry, received another body blow last week from the courts. The U.S. Court of Appeals in Washington, D.C., threw out FCC's "multiple ownership" rules, which limit the number of stations an operator may control. The rules restrict one operator to no more than seven AM and seven FM radio stations, and five VHF and two UHF TV stations.

Precise effect of the decision can't be guessed now, mainly because the government is almost certain to appeal the case to the Supreme Court.

 Possible Effects—But most Washington observers see two definite possibilities:

 The decision—if it sticks—will tend to increase growing pressures on independent TV operators struggling to hold onto network affiliations, and

 If it sticks, Congress will legislate some kind of a multiple ownership rule into the communications law -perhaps a tougher one than that thrown out in court.

Assuming an appeal is taken, FCC can be expected to hold up action on any applications from operators bumping against the ceiling until the Su-

preme Court rules.

The Court of Appeals ruling comes at a time when there is a growing amount of shuffling and re-dealing in TV station ownership. So-called chain operators—who own three or four stations in various parts of the country—have been buying stations in good markets, selling less desirable ones elsewhere. Independent TV station owners say these chain operators are able to get available network affiliations or take such affiliations away from the independent single station owner because of their economic power.

• Attempted Break-Through—In 1953, one of the multiple owners—Storer Broadcasting Co.—tried to break through the ceiling. Storer, which already controlled the maximum number of radio and television stations, applied to FCC for a sixth VHF channel, located in

Miami.

Invoking the multiple ownership rule, FCC denied Storer's application without a hearing. Storer challenged the rule-making order setting up the numerical limitations in federal court. FCC argued the rules carry out its established policy of favoring competition

that Congress wrote into the Communications Act.

The Court of Appeals, however, said it was dealing with a binding rule, not with any FCC policy in passing on applications. The court held that FCC is bound by its statute and the requirements of due process to grant a full hearing before denying an application. Decision to invalidate the rule does not prevent FCC from considering in each case whether too much control would be placed in a multiple owner's hands by giving him another license, the court ruled.

Some Washington lawyers say the Storer ruling puts administrative law back 25 years because it limits too strictly the rule-making authority of quasi-judicial, quasi-legislative regulatory

bodies.

• Criticism—Critics of the Storer decision say FCC will have an almost impossible task of maintaining any kind of a ceiling on a case-by-case basis. The cite the situation that will arise when a multiple owner comes in for approval of the purchase of an already licensed station. The law only allows FCC to find whether the purchaser is qualified. So, unless the multiple owner is already up against the ceiling fixed by the rule, approval of the purchase is almost automatic.

In the case of such a transfer of ownership, FCC doesn't have the option of considering other possible operators, as it does when it first licenses a station to use a channel allocation.

Critics also say the decision, if it stands, will boost the trend to network-chain operator coalitions. Already the critics say that network-multiple owner coalitions are perhaps the biggest single factor in the re-shuffling going on in TV broadcasting.

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They note that multiple operators— Storer is one of many—are apt to have close ties with a network. In practice, they say that when such a man moves into a new market, the independent station that is that network's affiliate is sooner or later going to lose his affili-

ation to the chain.

The feeling is that Congress will step in if the Storer decision is not reversed. If the case is appealed and the Supreme Court accepts it, a decision could not come down until sometime next winter, perhaps December. In that time, Congress will have raked over the field pretty thoroughly, no matter what else happens.

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RAYBURN Charges of "fiscal irresponsibility" have stirred the House Speaker's partisan ire.



TRUMAN The former President is worried about "me-too-ism" among Democratic candidates.



EISENHOWER"



STEVENSON The probable 1956 candidate is pushing for "attractive alternatives" in Congress.



BUTLER The party's chairman is on a speaking tour. His cry:
"We are determined to unmask . . .

Democrats: Under Way for 1956

Adlai Stevenson, titular head of the Democratic Party, became concerned last fall with the Congressional campaign tactics of many Democrats. They asked for votes on the ground, implied if not actually spelled out, that they had supported and would continue to support the "Eisenhower program." It seemed to Stevenson that this "me-too" strategy, if continued, could spell disaster for the Democratic Presidential nominee in 1956.

A month or so ago, Stevenson got in touch with former Pres. Harry Truman and told him of his worry. He asked whether Truman thought he should go to Washington, talk to Congressional leaders about the necessity for forging a Democratic legislative record that would by itself support the 1956 candidate.

Truman, who is backing Stevenson as the candidate, agreed that this was important. He urged Stevenson to move promptly.

• Motion—In late January, Stevenson conferred with three Democratic groups in Washington. Two meetings were small dinner parties—at the homes of Sen. Lister Hill and Sen. J. William Fulbright—each attended by eight to 10 pro-Stevenson senators. The third meeting was a luncheon in the office of Senate Secretary Felton M. Johnston, attended by Democratic leaders.

At all these meetings, Stevenson insisted on the need to develop a positive program. He recommended that wherever possible, Democratic leaders in Congress come up with "attractive alternatives" to White House legislative proposals. These alternatives, as Stevenson saw it, should be offered on an itemby-item basis, whenever opportunity

• Results—This week, you can see some early results of Stevenson's autumn thought:

• The House ignored Presidential

protests and tacked a \$20-a-person tax cut on Pres. Eisenhower's request for extension of corporation and excise taxes (page 29).

• Senate Democrats are methodically unveiling their alternatives to White House legislative proposals on highways and school construction.

National Democratic Chmn.
 Paul M. Butler has taken to the road to preach that Eisenhower, as leader of his party, must be held accountable for Republican mistakes.

The change was dramatically pointed up last week as House Speaker Sam Rayburn responded to a tongue-lashing from Eisenhower over the tax cut. Rayburn complained that Democrats were acknowledged to be great patriots when they helped the President get across a piece of his program, as they did on reciprocal trade, but that they became "fiscally irresponsible" when they differed with him on taxes. Rayburn

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charged that the Administration's tax relief for business last year threw the budget further out of balance than the \$20 cut would.

• Label—Stevenson and Butler are apparently agreed that the Democrats must attack not only the Eisenhower Administration but also Eisenhower the leader—something they have been a little afraid to do in the past. Both men want to destroy what they call "the myth of the Eisenhower middle-of-the-toad government." In Boise, Idaho, this week, Butler said: "We are determined to unmask the Eisenhower Administration" as being "the wrong Administration in office for the wrong purposes, doing the wrong things for the wrong people."

In speeches during the coming months, both Stevenson and Butler will pound away at the theme that Eisenhower is a conservative on domestic legislation, that he doesn't even deserve his own "dynamic conservative" label for his brand of Republicanism. They will try to picture Eisenhower, in terms of his programs, as an ultra-conservative who stands even to the right of the late Sen. Robert Taft on some issues.

This means that Eisenhower, battling opposition from the extreme right wing of his own party, will also have the Democrats shooting at him. Not all the Democrats will be gunning for him openly. Many, whose major problem will be to get themselves re-elected, won't be expected to attack. But they will be expected to climb down from the Eisenhower bandwagon and vote with the party on platform issues.

• Strategy—The picture for 1956 will shape up something like this:

The Democrats will try to build a record of accomplishment designed to appeal to the majority of the voters. Their problem in 1956 will be to find a Presidential nominee who can transfer to himself the popularity of the party.

The Republicans, assuming Eisenhower runs, will try to pit his phenomenal personal popularity against that of the Democratic Party. This means that Eisenhower must take a stand on as few controversial issues as possible.

The problem of the Democrats will be to lure Eisenhower into the political arena. They won't attack him personally, but they will step up their attacks on his leadership. They hope to drive a wedge between Eisenhower the military hero and American idol and Eisenhower the political leader.

It's a calculated gamble, but the Democrats feel it's their only chance for victory in 1956. Should Eisenhower decide not to run, they feel, this strategy would still pay off. The difference, as they see it, is that the job would be made considerably easier.

• Program-Meanwhile, much will depend on Stevenson's program of attractive alternatives in Congress. What are

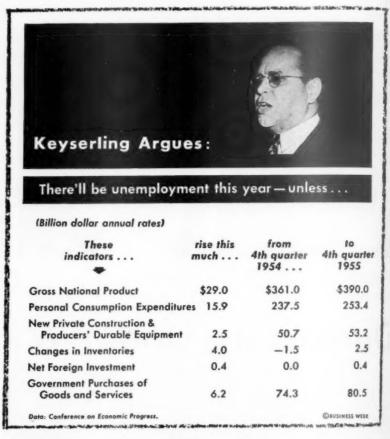
the program's prospects?

In the House, Speaker Rayburn has never demonstrated the affection for Eisenhower professed by some Democratic leaders. A strong partisan, Rayburn whips up support for programs that Democrats traditionally back—such as reciprocal trade—even when backed by Eisenhower. But he is anxious to take over and improve on Eisenhower proposals that tend to fit Democratic philosophy.

In the Senate, open opposition to the President is not so much in evidence. Majority Leader Lyndon B. Johnson

and his whip, Sen. Earle C. Clements, lack Rayburn's 29-vote margin. They aren't in a position to exert his brand of discipline. So they have to work by trading, cajoling, and compromise.

But they can come up with attractive alternatives as the Administration program is unrolled. They have done so on school construction and highways, and they are likely to do so on health, power, reclamation, agriculture, and perhaps taxes. Their strategy will be to proceed slowly, explore the issues, keep the GOP on the defensive, and offer alternatives—but not alternatives that can't be carried.



A Case for the Democrats

Stagnation has been the primary political label the Democrats have tried to slap on Pres. Eisenhower's economic policies.

This week Democrats had on their desks some economic spadework to elaborate on the charge—spadework done by a former Democratic Administration economic adviser, Leon Keyserling (picture, upper right); he was chairman of the Council of Economic Advisers under Pres. Truman.

A private outfit, the Conference on Economic Progress, published a report called A National Prosperity Program for 1955, written under Keyserling's direction.

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• Status—The Democrats testified to the high regard they have for Keyserling's skill at economic politics when Democrats on the Senate Finance Committee turned to him for economic justification for their \$20-per-person tax reduction bill (page 29).

But tax reduction is only one item in the Keyserling bag of tools for what he terms "a national prosperity budget" this year. He argues that unless U.S. economic output is increased \$29-billion by the end of this year (table) the na-

tion's recent business upturn will be short-lived. He wants more public works; bigger highway, housing, and school construction; and larger foreign aid programs.

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• Sponsors—The Conference on Economic Progress was organized after Keyserling left the Council of Economic Advisers. Its national committee is composed of former Roosevelt and Truman followers; labor representatives such as Pres. Walter Reuther of the CIO and A. J. Hayes of the AFL Machinists; and businessmen and farm leaders of New Deal persuasion.

In a way, the Conference setup makes Keyserling head of a "Council of Economic Advisers" for the Democrats.

• Emphasis—Keyserling puts his big cmphasis, as the table indicates, on the question of employment. His main charge against the Administration is that it is satisfied with an expected rise in output of only 3% this year over 1954, instead of the larger rise he contends is necessary to keep unemployment down.

"We can, without inflationary strain, expand our total output for 1955, at least 6% above 1954," Keyserling says, "and by the fourth quarter of this year lift it to about 8% or about \$30-billion at an annual rate, above current levels."

When he talks of unemployment, Keyserling uses his own formula. He not only counts the number of people who are completely out of work, but also a percentage of those who are under-employed. He explains it like this: "If 100 men get a 10% reduction in hours due to slack production, it should be counted as the equivalent of 10 men unemployed full time."

With only a 3% increase in output, Keyserling argues, the unemployed will increase from 4-million in 1954 as a whole to about 5-million in 1955 as a whole-and more than that by yearend.

• Prescription—Here is Keyserling's prescription for prosperity. Point by point it opposes Administration policies:

• Personal income tax exemptions should be raised by about \$200; he says this would furnish about \$4½-billion more purchasing power.

• The legal minimum wage should be raised to \$1.25 an hour (Eisenhower proposes 90¢). This "might add another \$2½-billion to purchasing power."

• Federal spending during calendar 1955 should be raised by \$3½- to \$3½-billion.

• Expansion of natural resources, including public works, should total \$1-billion.

• Outlays for defense and foreign aid should gradually increase, so that by the fourth quarter the annual rate would be up \$3-billion.

 Aid to agriculture should go up \$750-million.

· Social Security changes should

increase benefits by \$1-billion a year, and unemployment compensation should be broadened and increased.

 Slum clearance and public housing outlays should go up to an annual building rate of 300,000 to 500,000 family units.

These programs, Keyserling says, would increase wage and salary incomes by about \$15-billion a year; consumer spending by about \$16-billion; farm income by about \$4-billion; cor-

porate profits by at least \$2½-billion, and savings by about \$3½-billion.

• Balanced Budget, Too—With all this, Keyserling says, the federal budget could still be balanced by the end of calendar 1956.

In 1956, he contends, his policies would result in a national output well above \$400-billion, add \$4½-billion to federal revenues and permit expenditures to be cut—thus, he says, making a balanced budget possible.

Bitter Split Over Tax Cut

The fight in Congress involves basic principles as well as political maneuvering. Here's what can happen to the Democrats' \$20 per capita tax cut.

Now that the political warfare over tax reduction has begun, you can expect no armistice before Election Day, 1956—if, indeed, even then.

More than partisan politicking is involved, too. It's a collision between two opposite philosophies of fiscal policy as well (page 144). In that light, this week's skirmishing over the Democrats' proposal of a \$20 a head tax cut looks like only the first of a long series of clashes.

• House Bill—Speaker Sam Rayburn and the House Democrats rammed the \$20 a head gimmick through the House last Friday. They did it in the form of a rider to the Administration-backed bill to extend present excise taxes and to keep corporate income tax rates at 52% for another year. The bill then went to the Senate.

The timing makes Rayburn's coup particularly distasteful to Eisenhower and Treasury Secy. George Humphrey. If the Senate should send the bill to the White House in the same form as it left the House, Eisenhower would have a hard choice:

• To veto the whole package jeopardizing \$3-billion in corporate and excise tax revenue—or

• To sign it, as is—giving Democrats a chance to crow about a \$2.1-billion tax cut for individuals, and also violating the Administration's fiscal principles

• Time's Running Out—The Republican strategy is (1) to fight the tax rider on grounds of economic reason and (2) to hurry it to the President if appeals to reason seem doomed to fail. That would give time for new action to save the excise tax rates after the almost-certain yeto.

The Administration isn't worrying about the corporate tax rate. That could be made retroactive by Congress, without loss of revenue, after its Apr. 1 expiration. But the excise taxes are another matter—once the rate dropped

on Apr. 1, the extra revenues would be irretrievably lost.

Present excise rates were set during the Korean emergency. Unless extended, they would drop on Apr. 1 like this: liquor, from \$10.50 to \$9 per proof gal.; beer, from \$9 to \$8 per bbl.; cigarettes, from \$¢ to 7¢ a pack; gasoline, from 2¢ to 1½¢ per gal.; automobiles and motorcycles, from 10% to 7% of cost; trucks, buses, trailers, automobile parts and accessories, from 8% to 5% of cost.

• Philosophies—Eisenhower and Humphrey are opposed in principle to the per capita method of cutting taxes. They say this is not only the wrong time to cut personal income taxes but also that the Democratic proposal is the wrong way. Taxes went up by increases in rates for each bracket, they say, and should come down the same

This is where the Administration runs head-on into the Democrats' philosophy. We need more purchasing power to sustain our expanding economy, say the Democrats, and the best way to get it is to give tax relief, especially to the lower income groups who need it the most.

On top of the clash in principles, there's a feeling of bitterness among officials toward the Rayburn coup. The Administration is angered by the springing of the \$20 rider without warning and by its quick passage. They say there was only the sketchiest kind of debate before the House vote.

• Senate Outlook—Privately, most Senate Democrats enjoy Rayburn's coup. But quite a few of them deplore the economics of the \$20 rider—enough of them to give the Administration some hope of beating the proposal on floor.

In the Senate Finance Committee this week, Sen. Harry Byrd of Virginia (the committee's chairman) and Sen. Walter F. George of Georgia, joined the Republicans in lambasting the cut.



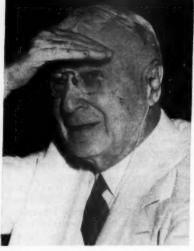
Wall Street G. Keith Funston of the Big Board: on-the-spot observer.



Washington William McC. Martin of Federal Reserve: regulator.



Detroit Harlow H. Curtice of General Motors: big business manager.



Olympus Bernard M. Baruch of many places: economic thinker and investor.

Talking About the Market

The four men pictured here come from four different places and four separate walks of life. But they have at least one thing in common: They all know much about the stock market. That's why Sen. J. William Fulbright, who is interested in the market boom, is interested in them. Starting this week and ending Mar. 23, these four and many other blue-chip witnesses will rell Fulbright what they know about the buying and selling of U.S. business shares, giving their views on the bull market that is under way.

Fulbright and his Senate Banking & Currency Committee are interested, primarily, in the steep rise of stock prices during the past year and a half. They want to know what caused the rise. They want to know what the consequences might be of a continued bull market; whether the market is sound and, if not, what can be done to make it so.

Already, the committee has sent out roughly 5,000 questionnaires to economists, bankers, brokers, financial analysts, and others who might help light Fulbright's way through the Wall Street labyrinth. By last week, 1,200 responses had come in. This was at least twice as many as the committee

had dared hope for. This week, the first of the in-person witnesses-G. Keith Funston, president of the New York Stock Exchange-was scheduled to go before Fulbright.

• Only a Study—All this represents the first full-dress probe of the stock market since the early days of the New Deal. Back in 1934, lawyer Ferdinand Pecora stoked up a fire-and-brimstone investigation that still smolders in the minds of some Wall Streeters. Out of the smoke rose the Securities & Exchange Act.

The atmosphere now is very different from that of 1934. Fulbright has taken great pains to assure everybody that his effort is to be a "study," not a search for dark and unpleasant things. "It is not an investigation of criminals," says Fulbright, "and we do not expect to uncover any violations of any kind."

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Officials of the New York exchange say they welcome his study. They see it as an opportunity to tell the public about the stock market, to convey to the public their conviction that the market's current bullishness is not comparable to that of 1929. Surveys run by the exchange have shown that the majority of U.S. citizens distrust the market. A survey announced this week, for instance, showed that only 10% of the adult U.S. population would even consider investing in common stock. Many citizens don't know what a common share is.

• Results—The questionnaires returned to Fulbright's committee so far show that most men close to the market feel little nervousness about its past year's behavior. "In 1928," said a Midwest broker, "I sold my stock, quit my job, and went on a long vacation. I certainly don't feel so disposed at the present time." There were dissenters, but that's the consensus thus far.

The respondents were less unanimous on those points in the questionnaire (there were nine points in all) dealing with the future. Some foresaw grave danger in a continued bull market; others foresaw danger only for the mexperienced and unwary. They were virtually unanimous, however, in their feeling that present government regulation of the market is entirely adequate.

Fulbright and his committee will use these questionnaire results as a sort of peg on which to hang the hearings that began this week. Among the notables whom they have invited to the sessions, in addition to the four pictured above, are Gen. Robert E. Wood, board chairman of Sears, Roebuck & Co.; Treasury Secy. George M. Humphrey; Benjamin F. Fairless, board chairman of U.S. Steel Corp.; Ralph H. Demmler, chairman of the Securities & Exchange Commission; and Winthrop H. Smith, managing partner of Merrill Lynch, Pierce, Fenner & Beane.

Antitrust: No Sharp Change

The Administration's study group has looked at existing policies and found them mostly good.

In fact, some of its recommendations go further toward making life easier for the antitrusters—not the businessman.

This will disappoint many businessmen who had thought a milder antitrust policy would emerge.

Businessmen have been expecting to find indications of a softer antitrust policy in the forthcoming report of the Attorney General's National Committee to Study the Antitrust Laws. They're in for a big disappointment.

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The committee's report is finished. It will be released later this month. And in many ways it will tend to sustain past policies. As a review of 50 years of antitrust law and of interpretation by the Supreme Court, the 347-page book will serve as a guide to today's antitrust climate.

• Broad Power—The key to businessmen's disappointment may be found in the committee's makeup and the breadth of its assignment. The committee was formed more than a year ago as part of the Administration's widespread review of government operations. Business was well represented among the 60 members, along with lawyers, professors, and economists.

Led by Antitrust chief Stanley N. Bames of Justice Dept. and Dr. S. Chesterfield Oppenheim of the University of Michigan, the committee undertook to analyze and recommend policy in seven major fields.

The hard fact for businessmen is that this group—after looking at policy from stem to stern—generally approved the way Justice Dept. and the Federal Trade Commission have been enforcing the laws.

I. Mergers

Widest agreement is found on the subject that most deeply affects businessmen—the ban on mergers that tend to create monopoly. Here are the major findings:

The law should be construed to "slow any appreciable growth toward monopoly by even relatively minor acquisitions." This recommendation is in line with Justice Dept.'s action in filing suit to divest Schenley Industries, Inc.—with 17% of the industry's sales—of ownership of Park & Tilford—with only 2% when it was bought (BW—Feb.26'55,p50).

 The government should weigh a merger's possible or actual effect on competition in a well-defined market. Justice and FTC already do this.

It's the basis for FTC's action against Pillsbury Mills, Inc. (BW-Jul.24'54, p82). In that case, FTC chairman Edward F. Howrey said both sides must argue the issue of possible effect on competition.

II. Patents

In this complex area, the committee took up 20 or more situations and wondered if the government and the courts hadn't gone too far. It saw a fine line between the legal monopoly conferred by a patent and the illegal use of a patent to restrain trade.

Contrary to the apparent trend of Supreme Court decisions, the committee declares that tying-in clauses and general misuse of patents don't of themselves automatically violate the antitrust laws. The inference is that court decisions have tended to lump specific cases in the illegal class.

On package licensing, the committee clearly agrees with the government's theory about Radio Corp. of America's system of licensing its patents. It finds package licensing all right in theory but illegal whenever the owner refuses to license less than the complete package.

Patent interchanges should be legal, says the committee, if they are the only way of getting commercial use of particular patents.

The committee suggests making life tougher for a company that files patent infringement suits in bad faith as part of a scheme that violates antitrust laws. Offenders should be liable to tripledamage suits, the committee says.

III. Distribution

The committee approves the "good faith" defense for companies that are charged with price discrimination when they meet a competitor's lower price. "Conscious parallel action" in setting

prices is not necessarily a form of conspiracy, as the committee sees it. Other points:

 Justice Dept. should continue to oppose "fair trade" price maintenance laws.

 Giving special prices to some customers without giving them to all is likely to discourage price reductions and should, therefore, be opposed.

• The government and the Supreme Court are right in knocking down exclusive dealing agreements, such as those ruled illegal in gasoline service stations. In those cases, oil companies required that stations that handled their gasoline should also sell their other merchandise exclusively—tires, batteries, accessories.

IV. Labor

The committee generally approves existing exemptions from antitrust laws that are given to regulated industries, labor unions, and farm co-ops. But it says that laws should prohibit union actions that are aimed at forcing an exployer to participate in any scheme for market control, such as fixing the kinds of product to be used or produced, the area in which they may be sold, or the number of manufacturers or distributors of them.

The committee adds a disclaimer that its findings and recommendations imply "any change of labor's freedom under the antitrust laws to act in concert in order to promote union organization or to bargain collectively." Actually, however, it recommends that the government somehow should be given the power to act against union activities that should be illegal but aren't specifically covered by labor laws or antitrust laws.

V. Enforcement

The committee recommends easing up enforcement in some antitrust areas, toughening in others. On balance, the recommendations fall on the side of making things easier for the antitrusters—not the businessman.

Certainly this is true of the most significant proposal in this chapter of the report: that the Attorney General be empowered to issue and serve on any corporation a new form of subpoena called "a civil investigative demand." This would fill a need often expressed by the Justice Dept. for some compulsory process to get business records for an investigation. At present the department must rely on voluntary cooperation or a grand jury subpoena under criminal procedure.

Two Lines Drawn

Cabinet committee takes a stand on oil imports and on the federal regulation of natural gas production.

The Eisenhower Administration drew two important lines this week-one on oil imports, another on federal regulation of natural gas production.

Pres. Eisenhower's Cabinet Committee on Energy Supplies & Resources Policy, beset by tugging and pulling among the petroleum, natural gas, and coal industries, came up with these recommendations:

· Oil imports should be held at the 1954 ratio-approximately one barrel foreign to each six domestic.

· Natural gas production and gathering should be free of federal control up to the point where gas enters an interstate pipeline. The U.S. Supreme Court last year ordered federal regula-

• The soft coal industry, crippled economically by heavy market losses to oil and gas, needs propping up.

Perhaps the committee's important recommendation for coal is that railroads-either voluntarily or under compulsion order of the Interstate Commerce Commission-set lower rates on coal haulings. The committee also implies some preferential buying of coal for government fuel uses.

Another far-reaching recommendation would have the government help U.S. coal grab a bigger share of the foreign market by offering partially to subsidize transoceanic coal shipping costs. This would be enough to offset the "higher" amounts involved because of the requirement that 50% of these shipments must be made in U.S. ships.

· Wallop-As such reports go, the committee's document is a hard-hitting one. It was argued over and discussed in detail between Eisenhower and the full Cabinet before it was released.

For general political purposes, its heaviest impact lies in the sections on oil imports and natural gas regula-

Eisenhower tells the oil industry that its 1954 pattern is the limit, and "appropriate action"-White House backing for legislation governing importsmay be expected if importers stray "significantly" over the 1-to-6 barrel ratio. Moreover, the report warns importers that it is their obligation under this formula to act "individually" and "voluntarily."

The Administration had given that word to major importing companies prior to release of the report, but made it plain that it will sponsor no industrywide meeting. Nor will it sanction an importing cartel.

In effect, Eisenhower is allotting foreign oil-at the maximum-roughly 14% of the U.S. market. Latest official figures for the four weeks ending Feb. 18 put imports at 20.2%.

· Gas Issue-Probably more explosive at home, in the short run at least, is Eisenhower's invitation to Congress to repeal the June, 1954, Supreme Court decision that held virtually all gas production and pricing subject to federal regulation-from the wellhead to the consumer's furnace (BW-Jan.15'55,

The Administration says federal control over interstate pipeline rates and sales is adequate safeguard against consumers being gouged.

Legislation to throw off, or disclaim Federal Power Commission control over gas production has been a delicate sub ject with politicians since the 1950 uproar that led Harry S. Truman to veto a gas bill by Sen. Robert Kerr (D. Okla.).

Truman gave as his excuse the protection of consumer interests—an argument still potent with congressmen from consumer states.

This opposition, among other reasons, has delayed getting repeal legislature started at this session. But this week, with Eisenhower committed Chmn. Percy Priest of Tennessee said his House Interstate & Foreign Commerce Committee definitely will begin hearings sometime this month on a gas

Another King-Size Bank Merger

New York's fourth major bank consolidation in five months was announced this week. The National City Bank of New York revealed plans to buy all the stock of the First National Bank of New York. The purchase price -\$165-million cash for First National's 300,000 shares-is a record in New York banking history.

The move further transforms the city's rapidly shifting banking picture. In August of last year, Chemical Bank & Trust Co. and Corn Exchange Bank Trust Co. merged to form the city's sixth largest bank. This was followed by January's "giant merger" between the city's No. 2 bank, Chase National Bank of New York, and Bank of the Manhattan Co. (BW-Feb.12'55,

Just last month, Bankers Trust Co. and Public National Bank & Trust Co. announced their merger.

• Gains and Leads-National City, by purchasing First National, will add \$556-million of deposits to its own \$5.6-billion. But this still trails Chase Manhattan's city-leading total of \$6.9-

The move will add some \$713-million of resources to National City's \$6.2-billion, thus putting the combined bank only about \$500-million behind Chase Manhattan in that respect after subtracting the \$165-million National City will pay for the stock. The merged bank will lead Chase Manhattan in capital funds, with some \$530-million against \$495-million.

• Twist-This latest merger is different from others in the New York outburst. In the other cases, the dominant bank sought merger to augment its own branch banking system. First National, however, has no branches to offer at all. It handles mainly large corporate accounts, without National City's emphasis on "consumer banking." In fact,

Wall Street folklore has long held that First National wouldn't handle an account with a balance of less than

Despite this, First National obviously looked attractive to the bigger bank. Just how attractive, Wall Streeters say, is reflected in the purchase price of \$550 a share-compared with the market's closing bid of \$482 at the first of the week. Observers figure that National City had its eye on First National's top corporate accounts and its handsome trust business, as well as its \$143-million capital funds.

Wall Streeters also think the Chase Manhattan merger had something to do with the move. National City, they say, won't want to play second fiddle to Chase Manhattan for long, after being ahead of Chase in deposits through most of the postwar period. A spokesman for National City denies this. But the rivalry between Chase and National City has been hot for some time, and observers are speculating now that National City may have still other mergers in mind.

· Household-The merged bank, to be known as First National City Bank of New York, will be heavily dominated by National City, which will have 20 of the 25 directors on the new board. Howard C. Sheperd, now chairman of National City, will continue as chairman of the combined bank; and the rest of National City's senior management will hold their present posts. Alexander C. Nagle, president of First National, will be director of the new bank as well as chairman of the executive committee.

The consolidation is subject to approval of stockholders of both banks Mar. 30, and to final approval of the Comptroller of the Currency. Reportedly, he has already given "pre-liminary approval."

There's Tension in the Air

No matter how many wells may be drilled —and Sinclair's domestic crude producing subsidiary completes them at a rate of better than one every day—the moment of test is ever new, always exciting.

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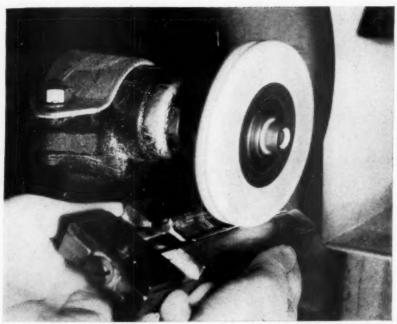
And when the test—as in this picture—flows oil, excitement turns into triumph.

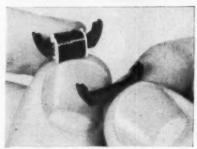
The drilling program, stepped up in 1949,

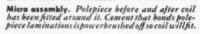
has produced gratifying results. Domestic output of crude oil and natural gas liquids now averages around 133,000 barrels every day. This is a rate of production more than 40 per cent higher than in 1949.



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BUSINESS BRIEFS

Consolidated Edison picked Babcock & Wilcox to build the atomic reactor for its Peekskill (N. Y.) power plant (BW-Feb.12'55,p100) if AEC approves.

Cyrus Eaton, Cleveland financier, last week acquired large blocks in Kansas City Power & Light Co. and Cleveland Electric Illuminating Co. Eaton formerly had extensive holdings in the utility field but disposed of them 25 years ago.

A lift for UHF: Most TV receivers pictup only very high frequency (VHF) channels. That's part of the trouble ultra high frequency (UHF) stations are having (BW—Feb.19'55,p52). This week George McConnaughey, up for Senate confirmation as chairman of FCC, suggested that manufacture of all-channel receivers be encouraged by exempting them from the 10% excise tax.

Grand Central Terminal's fate is in the hands of two real estate developes, Webb & Knapp of New York and Roger Stevens of Detroit. The New York Central RR gave them the job developing the full potential of 17 midtown New York blocks that contain the railroad station, office buildings, and hotel properties.

Colonial Airlines may yet be wedded to Eastern Air Lines (BW-Mar.6'54, p32). A final barrier will be removed if CAB upholds an examiner's finding that Colonial is free from control by Eastern.

TV Program Week, a Curtis publication, this week printed its eighth and last issue. "The situation is being reappraised," said a Curtis spokesman.

Penn-Texas Corp. headed by Leopold Silberstein (BW-May8'54,p93), won a round in its fight for control of Niles-Bement-Pond Co. N-B-P directors had planned to trade 631,715 shares of unissued stock to Belco General Corp. for 1-million shares of Bell Aircraft Corp. stock and \$636,000 cash. But Belco let the option expire after Silberstein got an injunction against the deal, which would have diluted his holdings of N-B-P (reportedly about 25%), made it harder to stage a proxy fight for control.

Chrysler Corp. is confidently going ahead with its plant expansion plans (BW-Jan.8'55,p33). This week it announced a new automotive transmission plant at Kokomo, Ind., and a new Plymouth V-8 engine plant near Detroit

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J. F. R.

It's wonderful! My new IBM Electric is the easiestto-use typewriter I've ever set finger to. It's as different from my old manual as a '55 convertible from a Stanley steamer. The IBM people tell me that an hour's work on an IBM takes less energy than 3 minutes' work on an ordinary machine--and I believe it! Also, if you'll pardon the boast, your letters never looked so good! So, from the bottom of my heart--thanks, boss, for IBM "power typing!"

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WASHINGTON OUTLOOK

WASHINGTON BUREAU MAR. 5, 1955



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Republican disunity on the big issues in Congress is spreading. Republicans closed ranks to support Pres. Eisenhower on taxes, but on a whole string of other programs there is little chance of such unity.

Reciprocal trade: Eisenhower will lose Western, New England, and some Midwestern senators when the vote comes on extending the program for three years and adding to tariff-cutting power. It will take the same kind of Democratic support that the White House got in the House to get the trade bill through.

Foreign aid is splitting GOP ranks, too. The big argument is over increasing it.

Construction programs for highways and schools—have Republicans divided. Some believe Eisenhower's plans aren't big enough, others simply oppose the plans outright.

Eisenhower is trying to improve his relations on Capitol Hill. He'll hold more conferences, issue more invitations to the White House—for business and for social events. The Administration expects to get parts of most of its program, with compromises, but it sees the need to present a record of GOP unity to the voters next year.

On taxes, odds are Elsenhower will win. His ace is the veto, which he can use if Congress does finally vote the \$20 tax reduction the Democrats want (page 29). The political figuring is that the Democrats, once their record has been made, won't hold out for the cut if this means letting corporation and excise tax rates go down, with a revenue loss of some \$3-billion to the Treasury.

A cut next year seems sure. The White House as well as Congress will be courting voters. Eisenhower probably will have his own reduction program in January, but there still will be dispute with the Democrats over which way to give taxpayers relief.

The Administration uses two tests: (1) What's fair, and (2) what's best for the economy. So some kind of combination reduction can be expected—cuts for individuals to increase buying power, some aid to business to encourage growth, excise cuts to trim prices.

Democrats will stick with a simple plan—either something like the \$20-per person they are trying now, or an increase in personal exemptions from the present \$600 to \$800 or thereabouts. This latter is the advice of Leon Keyserling, former chairman of the Council of Economic Advisers. Democrats are using his arguments against Eisenhower's economic plans (page 28).

Tax revenues aren't holding up, and that's giving the Treasury Dept. some added worries for the fiscal year ending June 30. Collections may drop below the \$59-billion estimated in the January budget message. But spending may not be so high either, come June 30, so the estimated deficit of \$4.5-billion may not be missed much.

A footnote: Remember that Eisenhower is backing some new and big spending plans, though he is attempting to cut outlays in other fields.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU MAR. 5, 1955 wage. So far, the Administration hasn't taken a public stand. And it may not, officially, because Eisenhower's policy is to keep the government out of labor-management disputes.

T

The union demands are short-sighted, some of Eisenhower's most influential advisers say, privately. They fear a break on the economy. Their view:

The right to keep a job is only one side of the coin. It is true that every workingman likes to think of his job as permanent, as long as he does his work. And he likes to be paid year-round.

The other side is management's rights to give jobs. Eisenhower's people fear that imposition of guarantees will limit the offering of jobs. That is, if an employer has to guarantee a paycheck for so many weeks, he will give fewer jobs (page 17)—try to level employment with anticipated production.

This would be a mistake, the Eisenhower advisers say—could limit growth at a time when new workers are steadily coming into the labor market.

Labor Secy. James P. Mitchell is hoeing a tough row. He's trying to get his views across to the union rank-and-file, working the political "middle road."

George Meany is leading the fight against him. As the top man in the AFL, Meany never misses an opportunity to slash at Mitchell (BW—Feb. 12'55,p136), despite efforts by the Labor Secretary to meet unions part way. The figuring now is that fulfillment of the AFL-CIO merger will put the big union's heads solidly in the Democratic camp. Mitchell is trying to conciliate them; if that fails, he has his gamble on the rank-and-file union membership—betting that they won't follow orders from Meany and Reuther when it comes time to vote in 1956.

The Administration is in trouble on its big public works plan—the Upper Colorado water storage project (BW—Feb.12'55,p56). It's a \$1-billion program, with two big dams designed to generate 1-million kw. of electricity. Congressional leaders figure they will have to drop one, the Echo Park Dam, in order to get the other dam, Glen Canyon, and the rest of the program, approved. Conservationists are just too strong in their opposition to Echo Park, which they say would destroy the Dinosaur National Monument in Colorado.

A cut is coming in the list of defense suppliers—the Register of Planned Wartime Materials Suppliers. That is the master roster of the 34,000 plants lined up to produce top-priority military goods under full mobilization. Officials figure some 10,000 companies will be crossed off.

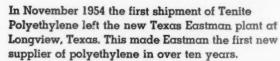
You might want to check on your status. Those going off the listing include "deadwood"—merged companies, companies out of business, and those with changed product lines; also many producers that haven't kept in touch with mobilization officials will be dropped.

If you want to stay on the list, you should see the Armed Service planning officer who is responsible for your plant's role in mobilization—see to it that tentative production schedules are renewed. If you aren't on the list and want on, let the services know what your facilities are.

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Information regarding Tenite also can be obtained from local representatives listed under "Plastics—Tenite" in the classified telephone directories of the following cities: Chicago, Cleveland, Dayton, Detroit, Houston, Leominster (Mass.), Los Angeles, New York City, Portland (Ore.), Rochester (N. Y.), St. Louis, San Francisco, Seattle, and Toronto—elsewhere throughout the world, from Eastman Kodak Company affiliates and distributors.

WATCH

A statement by S. D. Den Uyl, President of Bohn Aluminum and



S. D. DEN UYL

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In John C. Tooker, Reo's new President, Reo has a man of 30 years' experience in the trucking industry. His top management team in Engineering, in Manufacturing and in Sales, also are men of experience—and men of action. We are going to get a major share of the medium and heavy duty truck market.

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Bohn Aluminum and Brass Corporation

This management team is sparking the greatest expansion program in Reo history!



J. J. Dervin, vice-president and ass't to president



W. M. Walworth, vice president engineering



J. L. Adams, vice president



E. W. Reese, general sales manager



REO ROLL

ninum and Brass Corporation and John C. Tooker, President of Reo Motors, Inc.



JOHN C. TOOKER

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Never before has Reo had so much to offer the user of motor transport. We invite you to Watch Reo Roll!

John C. Tooker

PRESIDENT
Reo Motors, Incorporated



A. W. Zimmer, vice president manufacturing



R. J. Darragh, vice president treasurer



G. W. Byrne, director of personnel



R. A. Smith, vice president legal counsel



R. F. McKim secretary

REO MOTORS, INC.

SUBSIDIARY OF BOHN ALUMINUM AND BRASS CORPORATION

FINANCE

Mortgage Mart: Firm but Wary

Lenders all around the country are keeping an eye on the pace of homebuilding, with another eye on government policies toward credit.

They're beginning to worry about demand for new homes, about cracks in the rental market.

In most areas, though, money is still fairly plentiful, even if tighter than a few months ago.

Investors with a stake in the home mortgage market are watching the building boom as they might watch an excessively brilliant son—with a mixture of pride and worry. At the first sign of overreaching, they want to be ready to take control.

So far, BUSINESS WEEK reporters throughout the nation found this week, concern over the pace of housing starts finds nothing to focus on. With the heaviest winter activity in history, the industry is on its way to another record or near-record year for homebuilding (BW-Jan.22'55,p26).

So far, too, the lenders have gone along with the builders. But they show increasing selectivity about granting loans—they are more and more reluctant about writing mortgages for no down payment and for the longest terms. They are trying to put more of their money into shorter mortgages, with down payments of 10% to as high as 50% in some localities. For the riskier mortgages, they are discounting as much as 5% of face value.

• Pessimists—The investors who see danger ahead are inclined to blame the Housing Act of 1954 for putting the spurs to an already surging market for new homes. In their view, the easing of FHA and VA mortgage terms artificially stimulated a demand that builders and lenders are still trying to meet. And demand, they say, is beginning to crack here and there.

For example, easy terms have made houses often cheaper to buy than to rent, but a recent survey by the National Assn. of Real Estate Boards shows that, despite generally high occupancy levels, demand for rental housing is beginning to lag in some spots, particularly suburban garden apartment houses near a few cities. This might indicate that rents face a return to the historic state of being cheaper than amortization payments.

Pessimists also point out that the

rate of new family formation is still falling. Last year it was less than half of new housing starts (BW-Feb.26'55, p18).

• Brakes Needed?—Some financiers are calling for the government to put up storm warnings. Last week, Norman Strunk, executive vice-president of the United States Savings & Loan League, wrote to Pres. Eisenhower in support of the Administration's request for Congressional action giving authority to adjust FHA mortgage terms as conditions warrant. The League, which includes 4,200 savings associations and banks, says FHA's liberality is giving the housing boom an inflation taint.

Yet Housing Administrator Albert M. Cole, in the same week, told Congress that the credit base under the housing boom is sound. "We're not even remotely worried about the possibility of collapse," he said. He asked for an additional \$1.5-billion for the home mortgage insurance fund, which had been drawn down by heavy demand since October.

Even if Congress grants the President the discretionary power to dampen mortgage credit, some observers doubt that he would use it. The Administration favored the easier terms of the housing act last year; in his economic report, Pres. Eisenhower said, "The federal government should take additional steps to augment the facilities available for home ownership and improvement."

"Washington has made housing its baby," a New York savings bank president remarked this week. "It is using the building industry to keep prosperity going."

• Across the Country—Local conditions largely determine the way local lenders—as well as the big national lenders—place their funds. This is what BUSINESS WEEK reporters found as they talked to mortgage lenders across the country:

NEW YORK-Big insurance compa-

nies and savings banks, the heart of the nation's mortgage business, agree that the tightening of home finance credit so far has been light and will probable not become severe.

Most say they are pretty well "loaned up" now and are more selective in placing their money. Savings and loan associations seem to have more money to lend than the insurance companies. But the huge Prudential Insurance Co. of America, based in Newark, N. J., ha just replenished its funds with a \$350-million "warehousing deal" with 160 banks throughout the country (BW-Jan.1'55,p61). The Pru borrows from the banks with government-insured mortgages as collateral; it has used \$75-million of credit this way.

SEATTLE—The head of a leading real estate firm summed up Seattle's mortgage situation this way: "In buying mortgages, insurance companies now are placing money instead of just getting rid of it."

As in most other cities, first signs of a pinch show up in discounts of longesterm, nothing-down mortgages, which sell at around 95% of par. VA 30-year loans are almost nonexistent, and openend mortgages are a minor factor. Most of the lending is on government-insured, 25-year paper.

sured, 25-year paper.

SAN FRANCISCO—Money is still plentiful, but observers say that Easten insurance companies and savings banks are getting choosier, after being "too liberal" for some time. FHA and VA loans with some down payment are sold at par, but some builders express fean that big buyers of mortgages may get a little tougher in the near future.

ical

LOS ANGELES—In recent weeks, the 30-year, nothing-down VA mortgage has been selling at an increasingly heavier discount. It's still a borrower's market, with commercial banks competing actively for mortgages, especially the medium-term paper with at least 10% down. The big Eastern lenders have been dealing heavily in the 30-year VA mortgages, and this has been the focus of whatever "tightening" there has been so far.

DENVER—This continues to be one of the easiest money areas in the country. One indication of this is the development of "trade-in" deals, in which the real estate broker guarantes resale of an old house at a specified figure, with anything extra going to the person making the trade.

One large Denver lender made a record number of loans in January, but still

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has more money than it can plant. There is active bidding for both FM and VA mortgages, including the log term, nothing-down varieties. Commercial banks are sticking to conventional mortgages and loans on older house, with little dealing in FHA and VA loans.

KANSAS CITY—"Mortgage money is again getting tighter here, due to the Federal Reserve action in tightening money somewhat," says the president of a large savings and loan association. Borrowers looking for 30-year, nothing down paper "have to search for it."

Some savings and loans prefer "de-

Some savings and loans prefer "development" loans to builders rather than to individual home buyers. The gives them volume but also loads then up with long-term, slim-equity pape. At present, these mortgages are bene sold at discounts ranging from 3 to points, with the Eastern savings bank being the biggest buyers of such pape. Following the nationwide pattern, sings and loans are the top mortgage lenders in the K.C. area, with insuance companies and savings banks nect

Conventional loans carry much tougher terms than FHA and VA mortgages. A local insurance company spokesman says: "Conventional loans are available at 4½% to 6% for terms of 5 to 20 years; equity requirement range from 33½% to 50% down payment."

Open-end mortgages aren't getting much of a play here, with borrowen being limited to improving the property on which they are granted. Most lenders feel the FHA Title I improvement mortgage is more "easily har-

dled."

K. C. builders are beginning to wory about the report that the rental market is softening, with vacancies cropping up especially in lower rental brackets. Prospective renters in middle rent ranges are becoming more selective, too. In the short run, this will lead to demands for upgrading rents. In the long run, it could bring the price of rentals back to its more normal relationship to the price of new houses. This might take some of the steam out of the demand for housing.

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DALLAS—A construction company executive in this booming building town says he has "a definite feeling that mortgage money will tighten up a bit in the next few months . . . and it's something we're scared of." A big lender in Dallas observes that "money has tightened considerably in the last 30 days," as reflected in the heftier discounts being asked on VA 30-yea, nothing-down paper. Up until a month and a half ago, discounts ran ½% to 1%—now they have jumped to 2% to 2½%. Big mortgage buyers will take such paper only at heavy discounts.

Eastern insurance companies and

How to Pick the Right Cutting Oil



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It gives you the answer sometimes, but not many of your friends have the same cutting oil requirements and the same problems that you have. It's much surer to depend on specialists like Sun.



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This will probably give you the answer. But it's expensive and interferes with production when you try to test all the oils available. Sun's experience can help keep your shop-testing to a minimum.



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Sure. But there's no formula for correlating the laboratory analysis with how well the cutting oil will work on your job. It takes years of field experience like Sun's to help you make the right choice.



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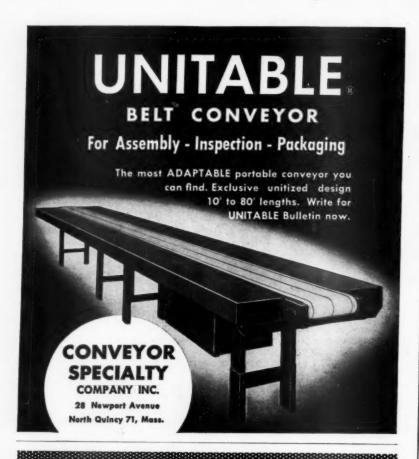
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savings banks buy the bulk of more gages, mostly FHA and VA paper, with the emphasis on large development financing. There is still a good deal of money for financing of prewar home, and most commercial banks prefer the type of loan. Terms generally run 10-17 years at rates of 5% to 6%.

ATLANTA—This is one of the fast est growing cities in the country, with 14,000 new houses built last year and indications that this mark will be acceeded in 1955. The pace is generally ascribed to easy credit, which has tightened only slightly since the last quarter of 1954. VA mortgages are still easy to get, but discounts are beginning to run to 2 or 3 points. As one mortgage banker put it, "Lenders are out to get the best return possible."

One reason given for the slight pine showing up now is that insurance companies and savings banks, top lender especially for government-insured mentagages in popular suburban developments, have spread themselves too thin. In the face of increasingly heavy domands for new money, one savings and loan association spokesman points out signs of caution are showing up. "A year ago," he says, "we were taking mortgages on a nothing-down basis. Now as a policy, we're not. I don't say we won't take them, but we'd rather not." But he foresees no drastic tightening in the near future.

A factor in rural areas outside Atlanta has been the Voluntary Home Mortgage Credit Program, set up by the Housing Act of 1954 (BW-Nov.6 '54,p108). This program siphons mortgage funds from "plentiful" section into "tight" rural areas through local committees of builders, bankers, and others. In rural areas near Atlanta, the program has worked well, with big lenders eager to find new business there.

CHICAGO—Lenders have been doing more picking and choosing lately, although there is still plenty of money available. They show an increasing preference for maturities of 20-25 years, with a leaning away from the 30-year, nothing-down paper. Even on VA loans, lenders try to get some down payment.

Generally, in Chicago and cities such as Elkhart and South Bend, Ind., there's a feeling that tighter money is inevitable as demand is spurred for easier terms under the housing act. Mortgage money for older homes is plentiful, although high down payments and short terms are the rule. Open-end mortgages have long been popular, but they are usually limited to improvements on the property.

the property.

CLEVELAND—Two recent significant changes in the local picture may soon mark the end of the "nothing-down, years-to-pay" deal here: (1) A sharp drop lately in the "availability" of mortgage money, mainly due to the

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desire of many insurance companies traditionally the big buyers here of longterm paper—to take a second look at the local housing picture; (2) growing fears among lenders that new-home construction may be near the saturation point.

That's not to say that any shortage of mortgage money has developed. It

hasn't. However:

Many lenders now have all the little-or-no-down-payment, long-term, government-backed paper they want.
 They don't like the recent up-

• They don't like the recent uptrend of the local "vacancy rate." It has been moving up sharply. And they want to see how many of the substantial number of new homes built since last fall will be sold by spring.

Thus, at the moment at least, many lenders claim they're more interested in commercial and industrial loans than in home mortgages. Where the latter are concerned, they are now concentrating on loans running not over 25 years (and preferably less) on properties on which at least a 5% down payment (and preferably more) has been made. FHA paper is their preference, but they will accept VA mortgages, provided they are not of the no-down-payment type.

Some lenders add that they are no longer interested in financing big housing developments at one fell swoop. "Sure, we will continue such financing," one big lender explains, "but we'll be Masons and do it by degrees. Hereafter, we will finance such operations 10 houses at a time. When the first 10 are sold, then we'll finance another 10,

and so on."

BOSTON—It's a notoriously easy money area, with its concentration of savings banks, building and loan associations, and a few large insurance companies pouring funds into the city and suburbs. Most lending now is being done on 30-year, nothing-down VA paper. Actually, the money from savings deposits is piling up so fast that lenders often quite literally don't know what to do with it.

But there are signs even here that things may change. A banker says, "We've never liked those VA's, but we were forced into it by builders who found that kind of money from some other banks. We're beginning to wonder how long this can go on. We've had enough."

Big developers are shopping for the best terms, with the nothing-down, 30-year VA carrying a 4½% rate getting the biggest play. Conventional loans go for one-quarter down at around 4%.

Building in Boston is well above the average for the state, being up 46% in January, according to one estimate. Other cities, such as Worcester and Springfield, where activity isn't so frantic, reportedly see few nothing-down loans.



WAYNESBORO (PA.) CURB BIDDING is brisk for 142 common shares of local industries and a local bank. Auctioneer Leslie A. Bohn (right) handles all sales.

Local Curb Exchange:

While the bull market as reflected on major stock exchanges throughout the country has been hogging the financial headlines, investors in Waynesboro, Pa., have quietly continued to trade stocks on what may well be the last true "curb exchange" in the country (pictures).

Last week, auctioneer Leslie A. Bohn—whose regular job is attendance officer of the local school system—auctioned off 142 common shares of local industries and businesses. It was the second sale of the year, and lasted just nine and a half minutes, with a dollar value of \$5,236 worth of stock traded.

The sale was held on the sidewalk in front of the First National Bank & Trust Co., because, as Bohn says, "that's the sunny side of the street." In summer, the auction moves across the street, in front of the Citizens National Bank & Trust Co.

 Attraction—The latest sale attracted about 50 people, with only about a dozen of them bidding. Several would-be buyers left early, obviously disappointed on hearing that Bohn wouldn't be able to sell some 70 shares he had previously hoped to trade. Included in the unsold lot were some 20 shares of Landis Tool Co., which last year brought a price of around \$107.

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That incident provides a clue to what Waynesboro curb buyers want. Bohn noted that "people are interested in Landis Tool because it paid a dividend of \$5.50 last year. That's what local investors are looking for. They aren't speculators, by and large—they just want investments that offer a better return than other things they could put their money into."

• Auctioneer—Bohn, in his capacity as auctioneer, is the real backbone of the "curb." He has held the job for 23 years, auctioning off stocks of local enterprises on Saturdays at intervals of from two to twelve weeks. Any time he has rounded up prospective bids covering 100 to 150 shares of stock, Bohn sets up a sale. Some times he may auction off a piece of real estate as an appetizer before he starts on the stock.





WANGLING bids, Bohn (top, right)

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. . son of local contractor (left), who outmoves up sidewalk. Buyers included . . . bid 77-year-old John Motz for textile stock.

The Market Gets Thin

While the curb has in the past handled new issues for some local companies, there have been none recently. Bohn gets most of the stock for auction from estates that are being settled, or from investors who want to sell for cash or switch their holdings. The trading is all in local shares, except for occasional offerings of stock of firms in neighboring Greencastle, Pa., and Hagerstown, Md.

· Cross-Section-Last week's sale was typical in all but number of shares traded-142 is below average. But these were a representative cross section of Waynesboro industry. Biggest block was 50 shares of Frick Co. common, which went for \$37.50 a share. Frick makes refrigerating and air-conditioning equipment, sold last year in the range of \$36.50 to \$43.25.

Also traded were 36 shares of Landis Machine Co. (no relative of Landis Tool Co.) at \$40.25 (its 1954 range was \$40-\$51.25)-32 shares of First National Bank stock at \$23.25 and another parcel of eight shares of the same stock

at \$23 (compared with a 1954 range \$22-\$23.75)—and 16 shares of Waynesboro Knitting Co. for \$61.50, right at its 1954 high.

Wavnesboro Knitting brought out the most spirited bidding, with its \$4 annual dividend evidently providing the lure for the town's investmentconscious buvers.

• Approval-Officials of the local firms readily express their approval of the curb exchange. "We are too small," explains one, "to list our securities on a large exchange. Furthermore, local people know our companies and the prices they pay for stock come close to representing their real worth. There's not much speculation when you're buying into a company vou or some member of your family has worked for and lived with for years." Another company official likes the curb because it "insures local control of our company."

• Anemia-Despite this attitude and the usual briskness of the trading, the curb seems to be a slowly dying institution. Since 1951, total number of



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-R. T. Amis, Jr. President Aero Design & Engineering Co.

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shares traded annually has dropped off sharply.

In that year, 3,162 shares changed hands on the sidewalk exchange. The following year, trading fell to slightly more than half that figure, or 1,744 shares. In 1953, the total was only 1,204 shares, and last year it shrank to 947, less than half the 1,916-share average of the last 10 years. In both of this year's sales, the number of shares lagged far behind previous figures.

• Changes—The drop seems to be due both to a decline in offerings and a waning interest of buyers. There's plenty of pessimism about the curb's chances of survival, with old-times sighing that local residents seem more interested in buying modern luxuries than securities of the eight local firms that are traded. Others hold that at the curb needs to pep it up is a revival of general business conditions—something like the 1951 boom, when the 3,162 shares traded brought in \$150,000.

Waynesboro's industry has enjoyed its best years in wartime, if curb trading volume is any indicator. In 1951 the Korean conflict was throwing plenty of business to Waynesboro industry, and the record year on the curb came during World War II: In 1944, 4,002 shares were traded for more than \$171,000.

Auctioneer Bohn is among the optimists, as you might expect. He feet that if enough "hot" stocks like Lands Tool are traded, this "rural curb" will regain some measure of its old vigor.

Title Insurers in Clover

Building boom's benefits spread to the guarantee business. With housing the main prop, another record year is in sight.

The construction boom is not the private preserve of the mortgage money lenders (page 42) and the builders. A much less-known branch of the industry—the realty title guarantee (or insurance) companies—also saw the volume of its business soar last year. And it looks for more of the same in 1955.

All over the country, title guarantee companies had their biggest year in 1954. Generally, the pattern was pretty much like New York state, where the dollar volume of title insurance written by in-state companies was 18% above 1953, with premiums up 15%.

• Home Building—The title guarantee business has been boosted by the vigor felt in all types of construction, but it's the residential part that has given the mightiest shove. And, with another 1-million-plus starts expected for 1955, the title people are looking for another record of their own.

Big lenders generally refuse to issue a mortgage on property unless the title is guaranteed. Housing experts sound the obvious warning against buying houses without having the title searched; many of them recommend having the title insured as well.

• Reefs and Shoals—Proponents of title insurance cite a long list of perils from which it shields both the home buyer and the mortgage lender:

 Hidden liens, notably mechanics' liens, that may have been slapped on the property unbeknownst to buyer and lender.

 Errors in the public records that might crop up late to cloud the title.

• Frauds connected with the rec-

 Ownership claims made later on behalf of minor kin of the seller.

 Secret marriages, which might give rise to claims by the spouse or other heirs.

 Claims by relatives of the seller based on charges that he was insane at the time of the sale.

Plenty of "horror" stories are cited to back the advice that the homeowner should take out insurance on his title to what is usually the biggest purchase of his life.

Daniel Boone is the favorite historical example. The great frontiersman thought he had carved himself an estate of thousands of acres in the wilderness of what is now Kentucky. But faulty title deprived him of every acre; Congress had to pass a special bill giving him a spot on which to pass his last years.

• Recording—The right to hold land with a clear title in what is now the U.S. dates to earliest colonial days. In 1620, immediately after the Pilgrims landed in Massachusetts, they set a public office for recording the ownership and transfer of real property. Other colonies soon followed suit.

In earliest days, the buyer's lawyer simply went to the recording office and checked the title. Later, as villages developed into towns, and towns into cities, and as property laws multiplied, the job of searching urban titles became far more complicated.

• Abstracts—Indeed, it became so complicated that many busy lawyers got tired of the whole thing. As more of them dragged their feet at doing the work, a new type of business came into



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being: the abstracters. First as individuals and then as companies, the abstracters simply marked out a given area and did studies of all the property in it. At the recording offices, they copied all documents relating to each piece of property. Then, when a customer asked for data on a given property, the abstractor prepared its complete history—its mortgages, deeds, judgments, probate proceedings, and the chronology of owners.

The abstracters, of course, keep a continuing check on their chosen areas, so that up-to-date reports can be pro-

duced at once.

The reports turned out by the abstracters were sold to lawyers acting in real estate transactions. On their data, the lawyers based their opinions of the soundness of the title.

• Imperfections—Despite all the care of the abstracters and the lawyers, there was an ever-present possibility of error or omission in the public records. It was to fill this potential void that the title guaranty companies came into being. In effect, after studying a title, they were prepared to insure its authenticity against subsequently-discovered slips.

The first title guarantee company was chartered in Philadelphia in 1876. Similar outfits were set up in Chicago and New York about 10 years later; today there are more than 150 companies in the United States that in-

sure titles.

Not all states have title guarantee companies. In Connecticut, titles are searched by the lawyer for the buyer. In Iowa, it's illegal to set up a company for insuring titles. In Chicago, the title in downstate Illinois, transfers are usually made without title guarantee.

• Urban—In general, the title guarantee companies do their biggest business in the large cities. Interest in their services wanes steadily as you move closer to rural areas. In the deep weeds, there are still tracts held under the so-called "trunk titles." The family owning a piece of property has kept all documents relating to it stuffed in a trunk in the attic. With each new transfer, a new deed is added to the collection, and the whole bundle is passed on to the buyer. Sometimes, not a deed in the whole collection has been officially recorded.

The West Coast is the citadel of title guarantees. In California, a very high percentage of all titles are insured. Demand for similar guarantees has been rising in the East, particularly around New York City where a great deal of mortgage financing is handled by the big life insurance companies, savings banks, and savings and loan associations. Generally these institutions demand a guaranteed title.

FINANCE BRIEFS

The mostest: Metropolitan Life Imparance Co. is still the world's biggest manager of the State of \$13.1-billion at the end of 1954, Property of the State of \$13.1-billion at the end of 1954, Property of the State of the State of the State of the Bell System, the largest nonfinancial institution, and the \$9.2-billion resources of San Franciso's Bank of America, the largest U.S. bank At the close of last year, 54% of Metiresources were invested in corporate accurities, 20% in home and farm mortgages, and 14% in U.S. and Canadin government obligations.

A \$50-million, 100-year loan has been negotiated privately by Goodyear Time & Rubber Co. with a group of insurance companies. Chmn. P. W. Littlefield says the loan will "provide ample funds for . . . [Goodyear's] . . . expanding business." The company plans son to take down the commitment of \$3\frac{2}{3}\text{ }% 100-year notes, which "under contain circumstances" can be converted into shorter term, lower rate paper at the option of either Goodyear or the lenders.

Shell Oil Co., brand-new member of the billion-dollar asset group, plus capital spending of \$240-million in 1955. Drilling operations will get \$100million of the money, including \$20million for wildcatting.

More aluminum: Alcoa is considering a 10% boost in its capacity for turning out primary aluminum. Right now, the company is weighing plans for raising the more than \$35-million that would be needed.

Life company realty holdings hit a reord high of \$24-billion at yearend. That includes \$1.3-billion of commercial renting properties, \$454-million of rental housing, and \$503-million in properties used by the life companies themselves. The Institute of Life Insurance also reports that the trade last year invested \$386-million in real estate.

Scott Paper Co. is considering "plans for permanent public financing of a portion of . . . [its] . . . program of expansion. . . ." Meanwhile, Scott has arranged for \$40-million of possible bank loans this year.

Mack Trucks, Inc., has taken the first major step in a long-range program of diversification, buying White Industries, Inc., and Radio Sonic Corp. Both these makers of electronics for aviation, industrial, and military use will be operated as the Electronics Div. of Mack. Staley's PRODUCTS FOR INDUSTRY, HOME AND FARM This is a dandy roll . . . the unique device which applies the hallmark (watermark) of quality to wet paper during processing.

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Turning Back Prices—and the Clock

LOUISVILLE-About 250 merchants here last weekend turned back the clock to "old-fashioned bargainsnothing like it since Gran'ma wore a bustle." But by early this week, they still hadn't agreed on the results.

The promotion, which began on Friday and lasted through a rainy Saturday, had a two-day advance buildup in newspapers and on television and radio. Stores dressed their clerks in costumes from the 1890s, and floor walkers donned derbys and sideburns. On the counters, many items were marked down from 20% to 50%; \$105 typewriters sold for \$76; winter topcoats were cut from \$79.50 to \$39.50; 89¢ phonograph records went at seven for

Outside, parking lot operators cut their rates in half, traffic lights were turned off at 35 intersections, and 75 extra policemen were assigned to handle the crowds.

By the close of business Saturday, some of the smaller stores were saving the promotion had tripled their volume. The two biggest department stores, though, were less enthusiastic: One said volume was up only 10% to 15% over a normal weekend; the other said

simply that it was pleased. The downtown retail committee of the Chamber of Commerce, which coordinated the promotion, figures \$15,000 was spent on it, over and above advertising outlays.

College Seeks a Strike

HANOVER, N. H. - Dartmouth College is looking to a new source of income to bolster its finances-uranium mining.

The college will begin prospecting soon on a 27,000-acre tract in the northern foothills of New Hampshire's White Mountains. The state legisla-ture gave Dartmouth the land in 1807, and through the years, the college has cut and sold timber from it.

Robert S. Monahan, Dartmouth forester, says the White Mountains are highly radioactive. Official reports of the U.S. Geological Survey indicate that the local granite contains uranium as high as 0.003%, or 10 times the average. Last year, a California Institute of Technology group, studying the radioactivity of Conway (N.H.) granite, reported that up to 40% of the radioactive elements in the granite are soluble in acid and can be extracted.

Monahan says there are "tons of uranium in the native granite" and that it is in this widely dispersed mass that the prospectors are hoping to find a

The Dartmouth tract is not far from the Rumford (Me.) site where Donald S. McCrillis uncovered a uranium deposit early last year (BW-Feb.5'55, p50). McCrillis now says the report on ore samples submitted to the Atomic Energy Commission are "very favor-

Major League Bait

MINNEAPOLIS-This city is heading toward home in its drive to raise money to build a stadium big enough to attract a major league baseball club.

With its eye on Milwaukee's baseball success-and the move of the Athletics from Philadelphia to Kansas City-Minneapolis feels it, too, is ready to break into the majors. A commission has already approved preliminary floor plans for a stadium and has picked a 160-acre site for it. The target date for the first game in the park is June 1.

By last week, more than 200 baseball "minutemen" had sold more than \$115,000 in bonds out of the \$800,000 that has to be raised to complete a local bond sale of \$2-million. As soon as the \$800,000 is on hand, another \$2.5-million in bonds will go on sale through security dealers throughout the country. The city is making eyes at several major league clubs, but nothing's definite yet.

3-Way Punch At Parking

ROCHESTER, N. Y.-The City Council has decided that the way to solve the parking problem here is to attack it from as many angles as possible.

The latest development is a cooperative plan with merchants in shopping districts outside the downtown area. If merchants petition the council, buy substandard property, and get the consent of nearby residents, the city will tear down the buildings, level and pave the lots, and install parking meters. The city will police the lots, collect the revenue, and assess the merchants over a five-year period.

So far, stores in two shopping districts have bought the council's plan, and work is under way now. Meanwhile, the city is going ahead with a threestory public garage to handle 500 cars and is expanding its downtown metered

a tribute to the

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This man exists under many titles. In one plant he may be known as the Corrosion Engineer, in another the Maintenance Engineer, and in a third he may be a Metallurgist. But whatever his title, his duties are the same—he fights corrosion.

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REGIONS

- There is no telling how much added traffic the St. Lawrence Seaway will bring to lake cities.
- Much depends on whether connecting channels are deepened and necessary port work done.
- On the Canadian side, there is more talk than action. But U. S. cities are . . .



Racing for Seaway Business

In the U.S. cities along the Great Lakes this week—wherever businessmen bumped into each other or sat to talk—one word kept coming up in conversation: Seaway. As a visiting speechmaker noted earlier in Cleveland: You could hardly cross Euclid Avenue "without stumbling over the body of a Seaway supporter who has been in an argument with another Seaway supporter."

Lacking a count on fallen bodies, it is still true that Seaway fever this winter has left its mark on a sizable number of businessmen in the lake port cities of the U.S. Its symptoms have been a soaring enthusiasm, a rash of plans for port and community development, and a general quickening of the tempo of civic drum beaters. Like any tever, it has produced some irrational schemes along with the practical ones. But the over-all effect has been to make it clear that the race for the promised Seaway traffic will be a hot one—and that no one city is likely to walk away with its prize unchallenged.

• The Unknown—At this point, of

• The Unknown—At this point, of course, there is no way of telling just how much added traffic the Seaway will bring to lake ports when and if it opens as scheduled in the spring of 1959 (BW—Jun.12'54,p134). These are just a few of the factors that make precise estimates impossible—and some of the proposed port plans questionable:

• The Seaway project, as now authorized, will open a 27-ft.-deep channel from the Atlantic to the western end of Lake Erie (map). But the practical capacity of the locks in the Welland Canal between Lake Ontario and Lake Erie limits through traffic to somewhere between 46-million and 50-million tons

over a 244-day navigation season. The unknown at this stage: Will Canada expand the Welland locks, as it is being pressured to do?

• To deepen the connecting channels beyond Lake Erie to a minimum 27-ft. depth will cost another \$109-million, the Army Corps of Engineers estimates. Upper lake cities will not become traffic points for 27-ft. shipping until this work is done. The question: Will Congress appropriate the funds and, if so, when?

• There is no major U. S. lake port today with 27-ft.-deep harbor and dock channels. The cost of necessary port work has been estimated at \$100-million, which will have to come both from Congress and the ports. The question: How many ports will get the money to put them in shape for Seaway traffic?

Because of these specific unknownsand because no one can foretell the demands that industrial expansion in the lakes region will create for more tonnage-estimates of Seaway traffic have ranged far and wide: from 36.5million tons for the first year (compared with the 10-million tons of traffic that moves through the present 14-ft. canals in the St. Lawrence); to another estimate of 52-million tons by 1965; and to what seems the unchallenged high prediction-by the Commerce Dept. in 1950-of 84-million tons. Army Engineers figure the Seaway might "attract during its economic life traffic of the order of 50-million tons and more."

• Race Is On—Sometime this month, the U.S. is slated to begin work on its part of the Seaway—almost entirely in the 46-mi. International Rapids Section of the St. Lawrence between Ogdensburg and Massena, N. Y. Canada has already started construction for the 17-mi. canal that it is to build around the Lachine Rapids. This week busness week asked its reporters—both in the U.S. and Canada—to see how far along the port cities were with their plans. In Canada, it found most of the cities still trying to assess what the Seaway will do for, or to, them; virtually all were talking and thinking—not planning or acting. But in the U.S. it found several cities already running hard in the race to be away first with the most of Seaway traffic. This is how the race is shaping up:

Duluth-Superior. With a fine natural harbor, Duluth-Superior now has 14 docksites capable of handling freight, only two of them are in top shape, however. Both harbor entries are dredged to 27 ft., and the main channels within the port are 25 ft. deep, with one exception. Work is under way now-under a \$300,000 Congressional appropriation—to deepen the one shallow channel to 25 ft.; another \$215,000 is earmarked in the 1956 budget to finish the job.

The job of developing Duluth's part of the harbor for Seaway traffic is now in the hands of the Duluth Port Authority, headed by Attorney Arthur Clure. Its most pressing need, at the moment, is money. A bill is now being prepared for the Minnesota legislature to authorize a 2-mill levy by the St. Louis County Board to provide support for the authority. The tax would raise about \$400,000 a year. Besides this, the authority has asked the state for \$76,000 to operate over the next two

Sometime next autumn, Duluth ex-



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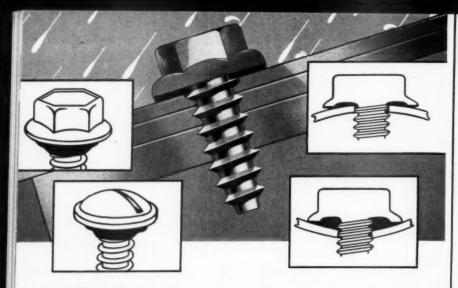
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"... a \$4,680,000 harbor program has been put before the Milwaukee Common Council ..."

SEAWAY starts on p. 56

pects to conclude the first phase of a study into the economic needs of the port. A municipal dock is being considered, and the authority is planning to earmark \$80,000 for it as a starter, as soon as funds are available. Another \$10,000 a year is planned for soliciting business.

So far, Superior has moved more slowly than Duluth, and is still undecided whether to set up a port authority. Leaders in both cities, however, are pressing hard for federal appropriations to start the work of deepening the connecting channels between the upper lakes.

Milwaukee. A five-year, \$4,680,000 harbor improvement program has been put before the Milwaukee Common Council by the Municipal Harbor Commission and a special study committee of the council. A bill may be submitted to the Wisconsin legislature to broaden the powers of the harbor commission, particularly its financing privileges.

The biggest project in the five-year program would be the construction of a general cargo terminal at an estimated cost of \$3.4-million. Other recommendations are for dredging outer harbor slips to required Seaway depth, construction of a road to serve outer harbor piers, expansion of railroad facilities, and replacement of obsolete lifting equipment.

Port Director Harry C. Brockel says the harbor commission assumes the dredging of the main harbor channels to Seaway depth would be a federal project. The city would dredge only at its docks and slip, and that can be done at relatively small cost, Brockel says. No federal appropriations for harbor work are called for in the new budget, other than customary maintenance

Chicago. Chicago is counting on the Seaway to make it a major world port. Waterway leaders in the area consider the Seaway "the nation's fourth coast line."

To have the city ready for the day the first ocean-going or coastal ships arrive, planners are pushing for \$76.5-million worth of improvements in Chicago's present harbor in Lake Calumet in the southern part of town.

Two major plans are involved in the over-all program of port improvement. One is the development of a new harbor in Lake Calumet; the other is the widening of the Calumet-Sag Channel. The first will benefit trade to the East;

BUSINESS WEEK . Mar. 5, 1955





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"... planners are pushing for \$26.5-million worth of improvements in Chicago's present harbor..."

SEAWAY starts on p. 56

the second will be the key to the growth of one of Chicago's unique port features—interchange of cargo from lake (and eventually ocean) vessels to inland waterway barges.

In his budget message, the President asked \$4-million to widen the Cal-Sag Channel to 225 ft. from its present width, which varies from 36 ft. to 60 ft. This is the only new navigation project with even a remote bearing on the Seaway called for in the budget.

Work on the Lake Calumet Harbor will be financed by the sale of \$22.5 million in revenue bonds by the Chicago Regional Port District. The lake is not dredged at all at present. Work on the harbor is slated to be under way by July.

Detroit. Detroit is moving cantiously, but optimistically, in its preparations for the Seaway. The only actual work that must be done before large ocean-going vessels can move into Detroit is the deepening of the upbound Amherstburg Channel at the entrance of the Detroit River. Present depth is 21 ft.

Actually, some observers feel that even if the connecting channels work is not completed before the rest of the St. Lawrence project, Detroit will be able to handle the ocean traffic expected for the first several years. The route would be through the present downbound channel, which is already at least 27 ft. deep. Authorities feel that terminal facilities are also adequate for the first few years' traffic.

Cleveland. Two years ago, voters O.K.'d the appointment of a full-time port director, and last spring the mayor picked William J. Rogers for the job.

Cleveland already has a preliminary report on harbor needs, submitted by the New York consulting firm of James C. Buckley, Inc. Its initial findings were that foreign import and export business could jump five to 10 times without the need for additional facilities. This has come as a disappointment to the business leaders who envisioned miles of new docks springing

Rogers' own idea has been a fourpart plan, which would include new piers and docks, extension of the preent breakwater all the way to the edge of the Cuyahoga County lines, and a large commercial-military airport. The cost might run as much as \$100-million. With Buckley's conservative estimate, however, it seems likely the city will go

A "primer" of GOOD NUTRITION

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nillion. timate, will go 5, 1955 A well-balanced breakfast is needed every day, even if one is overweight. After going without food for 12 hours or longer, a hearty breakfast is required to renew energy and sustain efficiency. Have a breakfast of foods that provide both proteins and calories.

is for regular foods

Vital body processes, such as the regular beating of the heart and proper functioning of the thyroid gland, depend upon foods that supply essential vitamins and minerals. A proper diet provides all the vitamins and minerals necessary to keep body organs working properly.



It is best always to eat just enough of the right foods to keep your weight at the level which the doctor recommends. If one tends to put on excess pounds, it is wise to cut down on weight-producing foods.



Variety is the most important factor in good nutrition. No single food has any "magic powers" healthwise. So, for good nutrition and good health, select daily meals from a wide variety of vegetables, fruits, milk, meats and cereals. Good nutrition also helps control weight.

is for energy foods

Energy for work, play and all other activities comes from carbohydrates. To make the best use of these foods, proteins, vitamins and minerals are also necessary. Energy foods are especially needed for growing, active children and adults who do heavy labor.



The most important of these are the proteins. Highquality proteins come from milk, cheeses, meats, fish, fowl and eggs and supply many essential substances for the upkeep and repair of bones, blood, skin and other parts of the body.



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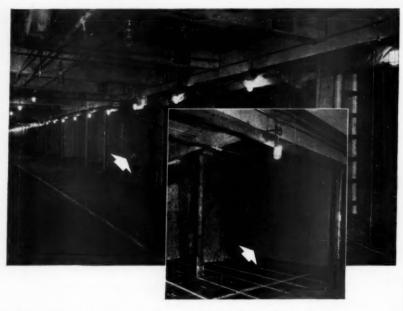
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slow in building new docking facilities.

Ashtabula. The story here revolves mainly around one man, contractor Nelson J. Pinney (BW-Feb.26'55,p92). Pinney's plan is to capture the 400,000 tons of material that Ashtabula estimates it has to turn away because of lack of docking facilities. Within the next few years, Pinney figures to build two 2,000-ft. cargo docks, with a total dock facing of more than 8,000 linear ft. A third dock is slated for later, with a total investment of upwards of \$5 million.

Pinney's big problem now is a harbor dredging appropriation from Congress, which is desperately needed to start operations this summer.

Toledo. Toledo, busiest port on Lake Erie in terms of tonnage handled, has long talked of getting off to a fast start in the race for Seaway business. Now the city finds itself on the shoals of confusion. The trouble: No skipper, no course.

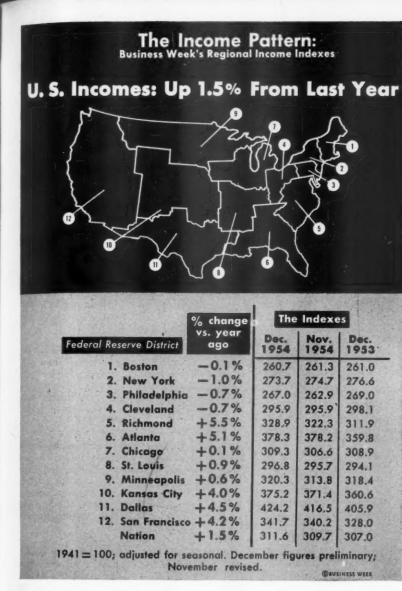
One of the basic difficulties is that Toledo, like other Ohio cities, cannot set up a working port authority until the state enacts enabling legislation. Several bills are in the legislative hopper now, but no one knows yet what form of port authority will be allowed.

About six months ago, the city received a study by Harland Bartholomew & Associates, St. Louis consultant, that called for a \$20-million general cargo terminal and a \$5.9-million waterfront recreational area. The feeling of port officials, though, is that a slight enlargement of the one terminal now in operation would care for amy Seaway traffic expected in the next 10 years

Buffalo. The city has set aside \$50-000 for an economic and physical survey of the port and its potential market by Frederic R. Harris, Inc., New York. Harris' preliminary spending estimate calls for an outlay of \$5.5-million between now and 1961-62. The money would go for the construction of a 300-ft. wide pier with two 475-ft.long berths; a warehouse for package cargo, a bridge crane and track for bulk material handling.

Rochester. Rochester is still taking a conservative view of the Seaway. Local leaders see little help from it, except from full-cargo lots directed from Eur-

Oswego. Oswego is going all out to develop an adequate port for central New York and, at the same time, improve its industrial situation. The city has hired a port director and has put up \$20,000 for a survey by Fay, Spofford & Thorndike, Boston. Operation Oswego, which is working to bring new industry to the area (2,000 out of 22,000 population are unemployed), is pushing hard for a bill to authorize a Central New York Port Authority.



The Highest Month Ever

Total U.S. incomes last December climbed to an all-time monthly high, according to the composite of BUSINESS WEEK'S 12 Regional Income Indexes. The old record had been claimed for July, 1953, until current revisions boosted November, 1954, to second place, behind December.

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The final month of 1954 reached its dizzy peak by a solid 1.5% jump above the year-before figure. It was the first substantial year-to-year gain after 12 months of fractional inchings up and down

All regions except four were up in December. Gains went as high as 5.5%, while the largest decline was 1%. The remarkable pickup in steel production helped narrow the year-to-year decline in the heavy industrial areas of

Philadelphia and Cleveland, while the Chicago region gained.

In the comparisons with November, 1954, over-all income was up 0.6%. Only Boston (off 0.2%) and New York (off 0.4%) made poorer showings in December.

For the whole of 1954, the preliminary national index average stood at 306.7, a drop of 0.1% below 1953. In the breakdown by areas, Kansas City had the biggest annual gain, topping the previous year by 3.6%.

ping the previous year by 3.6%.

Five regions—Boston, Philadelphia, Cleveland, Chicago, and San Francisco—were down for the year. Cleveland made the poorest showing with a 3.4% drop; Philadelphia came next, off 2%. Both these regions fell way off early in the year, but came back strongly in



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the closing months, with the pickup in primary metals, machinery, and transportation equipment, Boston had a similar pattern of earlier fall and later recovery, bolstered by activity in the shoe factories and some improvement in textiles. Still, employment in both shoes and textiles for the year as a whole was below 1953.

In San Francisco, where income was off 1.4% for the year, a 20-month low was recorded in March, 1954. From then on incomes in the area recovered gradually, with December topping March by 6.2%.

REGIONS BRIEFS

The water shortage on the Missouri River (BW-Jan.29'55,p56) has forced Army Engineers to cut the navigation season for the second year in a row. Barge operators had been hoping to start Mar. 15. Last week the engineers said it would have to be Apr. 1.

A redevelopment plan for St. Louis was submitted to the Federal Housing & Home Finance Agency. It involves a slum clearance and prevention program calling for \$69-million in federal funds, more than \$700-million from private capital.

A St. Louis-Cincinnati turnpike is now definitely set for serious study. The governors of Indiana, Ilinois, and Ohio have agreed to finance jointly a survey of the much-talked-of superhighway. The 340-mi. pike would link St. Louis and Cincinnati by crossing southern Indiana and Illinois.

A new industrial district south of Minneapolis-St. Paul has been opened up by the Chicago Great Western Ry. It's a 4,000-acre tract bordering on the Mississippi, zoned almost entirely for heavy industry. About 950 acres have been sold already for a new oil refinery.

Hawaii's big estates are the target of a Democratic bill introduced into the island's first Democratic-controlled legislature in 55 years. The bill, which aims at breaking up the large landholdings, would allow anyone leasing estate land to buy it after five yearsprovided the lease is drawn for 15 vears or more.

Remains of Willow Run Village-once the nation's biggest defense housing project-have been sold by Ypsilanti (Mich.) Township to a group of 10 Detroit businessmen. The group has a 10-year plan to transform the 1,650 acre tract into a \$150-million community with 5,000 new homes.

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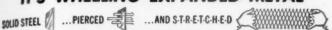
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1955







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ECONOMICS

The Projectionists

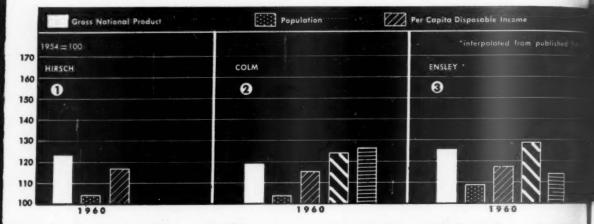
The U.S. economy in 1960 could be booming fantastically. It could be flat on its back. Or it could fit into the mold suggested by one of the six projections shown here. These projections are not forecasts; they are judicious extensions of trends that can be seen in the economy now. These six are particularly popular examples of a tool that businessmen and politicians are using increasingly and for a variety of purposes, some good and some highly questionable.



Julius Hirsch made a projection (far left, below) in 1952 for Rock of Ages Corp. It was used to figure future demand for graveyard memorials.



Gerhard Colm's 1952 projection was made for the National Planning Assn., industry-labor. agriculture group. Use was broad, general.



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Profiles of 1960: Businessmen Are

The men and charts above represent six ideas of what the U.S. economy might be like in 1960.

These appraisals of the future are not forecasts; they are what most professional economists like to call projections. In simple terms, they are educated extensions of past trends into the future. Since there is no guarantee that the past trends will actually continue, it would be foolhardy to interpret a projection as a prediction. For that reason, few businessmen would have bothered with projections a few years ago. Such theoretical looks into the future seemed strictly for longhairs, or for politicians trying to prove something to the voters.

But times have changed. The six

projections above, all of 1952 vintage or later, were gathered and compared by economist Julius Hirsch (picture, left). All of them have been pondered seriously by businessmen. Some were actually ordered and paid for by business. Clearly, the projection is losing its reputation as an exercise in academic thought.

• Popularity Poll—Consider these six projections one by one. Two were ordered by individual companies—a maker of graveyard memorials and a lumber company. Both these companies had decisions to make about the future, and both of them used projections for guidance.

One projection-Grover Ensley'swas engineered for purposes of govern-

ment. Gerhard Colm's was worked out for the National Planning Assn., an organization of industry, labor, and farm interests. Leon Keyserling's was prepared for the Conference on Economic Progress, a group made up largely of New Deal thinkers. (A shorter-range projection sponsored by the same group is the basis for Keyserling's demand this week that government spending be increased.) The sixth projection, authored by Dexter Keezer and McGraw-Hill Publishing Co.'s economics staff, was prepared for the company's own management, later offered for distribution to business in general.

There are other indications that projections are rising in businessmen's exteem. When the Joint Congressional



Grover Ensley and fellow economists made their projection last year for the government particularly Congress. Used by lawmakers; nonpartisan.

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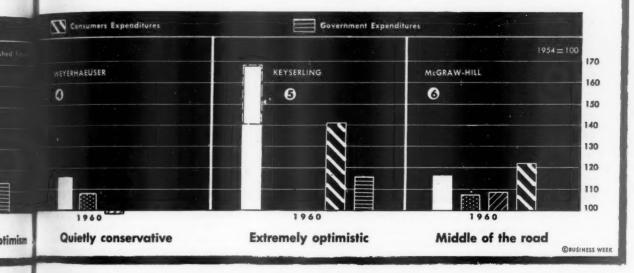
Kenneth Beggs and Stanford Research Institute staff made 1954 projection for Weyerhaeuser Timber Co. Like Hirsch's, it had sharp business focus.



Leon Keyserling and staff projected trends last year for Conference on Economic Progress. Used by liberal and labor critics of Administration.



Dexter Keezer and Mc-Graw-Hill staff published a projection last year. Use was general; work wasn't for a particular company or group.



re Learning How to Use Them

Committee on the Economic Report published a projection last year, 12,000 requests for copies piled up in three weeks. A projection worked up by the Bureau of National Affairs, a business news reporting organization, was offered to businessmen and sold out in six weeks. Projections are now being made privately for steel, petroleum, and rubber companies. The National Planning Assn., at the request of its business committee, hopes to prepare a series for specific industries.

• Crystal Ball-Why the sudden popularity of projections?

One cynic puts it this way: "Businessmen are so eager to find a crystal ball that they're willing to accept anything that's shaped like one."

Another skeptic maintains that projections rationalize the basic optimism of the U.S. businessman. They explain and give a statistical superstructure to what he wants to believe.

But there's another, probably more fundamental, reason for business' growing interest in projections. Businessmen have investment programs to worry about, and investment today is becoming more a thing of science than a matter of hunch. Companies have accepted the principle that if you don't expand, you must be content to shrink; for in the fierce competition of U.S. business, it is seldom possible to stand still unmolested. The question is: How much to expand?

Hence the need for long-range pro-

jections that give some clue, however rough, to the number of people who might want a certain product or type of product in some future year. The demand for this kind of clue has increased tremendously in the past few years. When McGraw-Hill Publishing Co.'s Economics Dept. first started surveying the outlook for plant and equipment spending eight years ago, less than half the companies reporting had any real investment plans at all. Now, nine out of 10 companies report on plans at least four years ahead.

Views—All this pleases the economists who make projections. But even the most enthusiastic boosters of projections have their qualms. And some will say that widely published projections.



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". . . under other circumstances it would have been used to argue for a cut in consumer taxes . . ."

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tions do more harm than good. Arguments about projections are hot, for projections are many things to many men:

• To the economists who make them, they are simply the best tool yet devised to help businessmen and public officials make forecasts. These economists generally take great care to point out that projections are not forecasts. They picture the future only in broad, extremely general terms—and they are heavily hedged with ifs and maybes. But they can be thoroughly useful as guides to forecasting, if you recognize their limitations.

• To economists who oppose them, projections are at best exercises in grammar-school arithmetic. At worst, they are positively misleading. In the hands of an uninitiated user, who might regard projections as forecasts, they can be worse than no guide at all. As the anti-projection economists see it, we don't know enough about past trends to project them forward with any dependable accuracy.

• To government officials under the Democrats, projections were specific guides to economic policy. In January, 1950, for example, Pres. Truman's Council of Economic Advises presented a projection for the year 1954. It showed that a sharp rise would have to occur in consumer incomes if we were to have full employment in 1954. The Korean War swept this projection aside, but under other circumstances it would have been used to argue for a cut in consumer taxes.

• To officials under the Republicans, projections are to be consulted in private but avoided as publicly proclaimed policy guides. Arthur Bums, chairman of Pres. Eisenhower's CEA, is chiefly responsible for this refusal to get entangled in detailed projections.

 Mechanics—You can understand the caution of Burns and economists like him if you take a brief look at the makings of a projection.

The basic assumption on which all projections are built is that past trends in the economy—population growth, for instance, or rising productivity—will continue into the future. Economists extend these trend lines forward in various ways, perhaps modifying them according to personal hunches or political beliefs.

As an example, suppose you want to project the gross national product to the year 1960. You might go about it

like this. Divide this year's GNP by the present population of the U.S. This gives you per-capita GNP. Take the historic trend of productivity in-crease-traditionally 2% or 2.5% yearly -and add it to per-capita GNP (as in a compound interest problem) for the years up to 1960. This gives you percapita GNP for that year.

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To translate this back into national GNP, project trends of population growth forward to 1960. Multiply your 1960 per-capita GNP by your projected population figure, and this gives you national GNP for the year.

You could introduce refinements into this operation, in the hope of getting greater accuracy. You might use employed members of the labor force, for instance, instead of the total population. You might refine this further by cencentrating on the number of hours worked per week, projecting a declining trend into the future. But many economists would argue that such refinements lend a sort of false firmness to a structure based on quicksand-on the assumed annual rate of increase in productivity.

· Problems-As a way of looking into the future, a projection thus arrived at is probably quite valuable—if you keep its limitations firmly in mind. The limitations:

· Past trends don't necessarily continue into the future.

· In many cases, we don't even know much about the past trends. Productivity statistics, for instance, are vague and incomplete. On some subjects, there's insufficient basic census data (BW-Feb.5'55,p114).

• There are some very important economic factors that nobody can chart into the future, no matter how much data is available from the past. Among these are the role of the government and the course of world affairs through war and peace.

· Only Wheel-Still, projections are the best guides to the future available. Even their critics have nothing better to offer. They are the only wheel in

Projections started to come into broad use in 1943, when economists were trying to discover what peacewhen it came-would do to business. But the projectionists of that period made a fatal error. They tried to anticipate short-term, cyclical movements rather than long-run trends. And they heated the results as forecasts rather than just rough measures of the shape the economy might take. One of these early efforts remains a classic example of how wrong a projection can be. It pointed to the prospect of 8-million unemployed and a serious depres-sion shortly after the war's end. It went wrong chiefly because its makers (1) overestimated the number of



"I'm tempted to get a postage meter!"

That's what Mr. Beeply said as he looked at himself in the washstand mirror.

Mr. Beeply was plastered-but with stamps. It happened like this:

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The DM provides postage for parcel post on special tape. Has a moistener for sealing envelopes.

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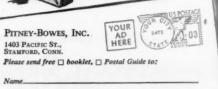
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". . . the only certainty about business forecasting may be that it will be wrong . . ."

PROJECTIONS starts on p. 66

wartime workers who would remain in the work force when peace came and (2) underestimated pent-up demand for consumer goods.

This classic example is still a big gm in the arsenal of anti-projection economists. But the projectionists say that improvements have been made steadily since 1943, and more are coming.

• Basis—Behind the improvements has been a betterment in the statistics on which projections are based. Give m better statistics, the projectionists have always said, and we'll give you better projections. The better statistics have been coming along fairly regularly.

Economists have much more reliable information today than they did back in 1943. There are surveys of both business and consumer intentions, for instance. There is improved data on new orders and on the labor force. Better statistics on inventories are being sought. Improvements in basic census data on manufacturing seem likely. All this will make the projectionist's task easier, and the result more dependable.

Projections will always have their basic drawbacks, of course—particularly the lack of certainty that past trends will continue into the future. Until somebody invents a time machine, it will be impossible to present a projection and guarantee it as a dead-accurate portrait of a future year.

• How Wrong?—But, as many economists and businessmen point out, a projection doesn't have to be accurate to be useful.

Walter E. Hoadley, professional conomist and treasurer of Armstrong Cork Co., puts it this way in the book, Determining the Business Outlook. "In some respects, the only certainty about business forecasting may be that it will be wrong. But the important question is, by how much?"

In short, you have to expect that any long-range projection will have errors built into it. And the margin for error can be fairly wide. But anything which indicates a general direction is useful in the rough-and-tumble process of decision making.

Business, moreover, isn't using the projections in a vacuum. In planning any major investment, management stacks the long-range projections up against its own sales figures, the size of backlogs, and the potential of new products. So, despite the technical disputes, U. S. business is finding more and more uses for projections.

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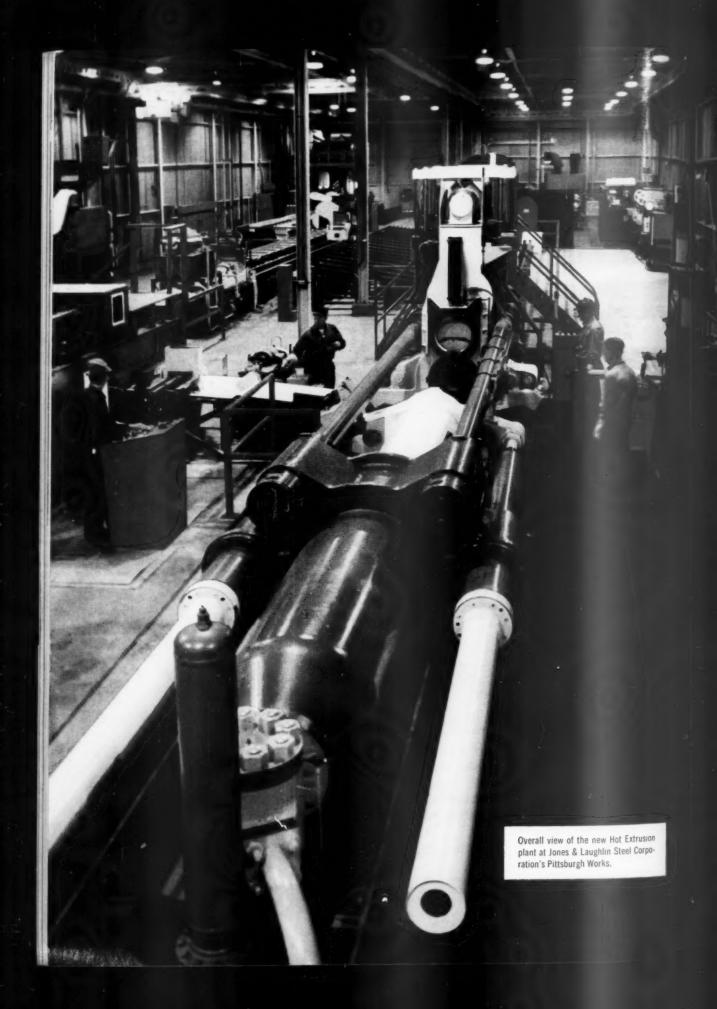
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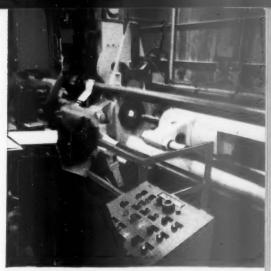
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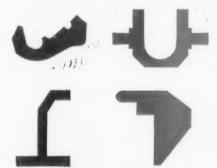


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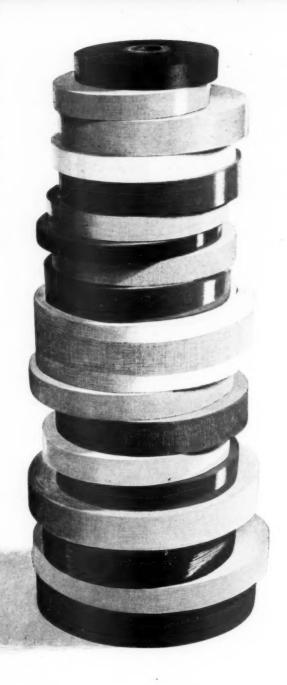
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MANAGEMENT



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How Two Top Men Work as Team

On Jan. 3, 1945, directors of Standard Oil Co. (Ind.) got a memorandum explaining how their newly-elected chairman, Robert E. Wilson, and Alonzo William Peake, then the new president (cover and above), planned to operate. It read in part:

"... the pattern of organization will be that the 'staff' departments will report primarily to me [Wilson], and that the 'line' or operating departments will report primarily to Mr. Peake."

The other day, looking back over the 10 years since that memorandum was issued, Chmn. Wilson had two comments:

• "Since the original memo was issued, Al Peake and I haven't had to refer to it once."

 "I can't understand why more big companies like Standard of Indiana don't split up their authority at the ten."

 New Team—This year, Wilson's idea of a two-boss company will undergo a new test: Will it work under different circumstances and with different men?

Indiana Standard's board of directors this week announced the retirement of Peake in May and the election of Frank O. Prior (right), now executive vice-president, as the new president.

Actually, this initial transition after 10 years of Wilson-Peake rule should

be as smooth and unfrenzied as the operations of the \$2-billion Chicago oil company have been in that period. Since 1951, Prior has been groomed for the job of president, sitting at Peake's side, learning to work amicably with Wilson.

I. Two-Man Regimes

Superficially, there is nothing unique about the SO (Ind.) arrangement of its chief executives. A growing number of companies are splitting up the top job.

Sylvania Electric Products, Inc., for instance, separated the functions of chairman and president as a sort of outside-inside team (BW-May2'53, p114). That lasted for two years, until the death of H. Ward Zimmer, Sylvania president, last month. Don G. Mitchell, chairman, now has taken on both jobs. But in this case, Mitchell was chiefly a public relations and financial officer and Washington liaison man; Zimmer held the reins over all internal operations—both staff and line.

You can find other companies that partly fit the two-man pattern—Standard Oil (N.J.), Thompson Products, RCA, New York Central, to name a few.

• Practical—Ordinarily, though, the chairman-president split is less an operating reality than it is a matter of

convenience. Sometimes the chairman acts as an elder statesman or as a godfather to a new president to help him establish his authority. In other cases, the chairman works on high-level contacts and public relations, leaving everyday work to the president.

In any event, most companies make



NEW PRESIDENT will be Frank Prior, far right. He takes over from Peake (center) next May. Wilson stays.



"Our Magcoa Dockboard speeds loading... pays for itself"

says James Johnson, Vice President, J. W. Johnson Company, canvas goods manufacturers, Bellwood, til.

"When we switched from heavy, makeshift steel plate to an engineered-for-us Dockboard, we chose Magcoa," says Mr. Johnson. "Our Magcoa Dockboard can be positioned quickly and easily by one man," he continues, "and when it's in position, its safety angle holds it there. Our powered equipment and operators handle loading and unloading in record time, and are then free for other handling jobs throughout the plant. We figure," says Mr. Johnson, "that our new Magcoa Dockboard will quickly pay for itself."

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WHEN BUSINESS MEN WANT BUSINESS NEWS THEY TURN TO BUSINESS WEEK sure that operating authority resides firmly in one man's office.

II. Standard's System

That's what sets SO (Ind.) apart. In a real sense, the company has two different bosses for two different sets of people.

Wilson is technically the chief executive officer. Peake is directly under him, with Prior a step below that. There the resemblance between organization charts at SO (Ind.) and most companies stops.

 Split—Supervisory authority breaks into staff and operating departments.
 There is no intermix of direct authority.

Under Wilson come the finance department, research and development, law, the company secretary, and industrial and public relations.

Peake takes the rest-refining, production, supply and transportation, sales, long-range planning.

The company also splits its operating subsidiaries between Wilson and Peake. Wilson has American Oil Co. and Pan-Am Southern Corp. serving the eastern and southern U.S. Peake oversees Stanolind Oil & Gas Co. and Utah Oil Refining Co. This split follows the two men's background of familiarity with these companies as former heads of them.

• Decisions—To make this scheme work, at any given time either Wilson or Peake can make a decision for any part of the organization. That was spelled out in the 1945 memo, too:

"In case one of us is unavailable, a department head needing a prompt decision may take it up with the other, who will either make a decision and advise the other . . . or take it up with the other by telephone. . . ."

There are no firm lines of communications, except in the normal routine of business. Either SO (Ind.) boss can get any information he wants directly from any department but he is expected to "... refrain from giving directions to those under the other's supervision."

III. Why It Works

To outsiders, the idea of two bosses may seem cumbersome. You can imagine any number of situations where one man would get into another's hair. Underlings might play one man against another; major policy differences might be serious enough to require a personal settlement; one man might interfere in the other's affairs.

Still, you don't have to buy Wilson's idea that big companies often waste the talents of good men by putting one on top of the other to agree that in the case of Standard of Indiana the dual authority works.

• The Old Style-Realignment of top

authority was just the thing that SO (Ind.) needed as World War II approached its end.

For years, it had been a highly centralized operation, with orders down to the spending of \$50 coming through the office of Pres. E. G. Seubert. (There was no chairman.)

The sales organization, for instance, couldn't make fast tactical decisions, let alone major strategical moves.

One Standard executive who quit after 20 years' service, just before Wilson and Peake took over, later was asked by Wilson why he quit. "We got the responsibility but no authority," he told Wilson.

• Relaxing—As Wilson and Peake moved into their jobs, they began letting go of some of that tight-reined control. They went around together, floor to floor, in Standard's Michigan Avenue headquarters to meet people who hadn't seen top brass in years, if ever.

The logical place to start decentralization was at the top—and the Wilson-Peake arrangement got full cooperation down the line.

In the past three years, with Prior helping Peake, the field forces have been getting more and more authority. Today, for instance, a divisional manager can meet any price cut of a competitor without clearing first with his regional boss. The limit on the capital expenditure a division can make without prior clearance has gone up to \$2,500—and probably will go higher. A vice-president can spend \$40,000.

• At the Top—Despite its continuing decentralization program, the company is set up so that coordination at the top is almost automatic. Few if any decisions are made—probably couldn't be made—without the key man in every phase of the operations knowing about them, and probably agreeing with them.

Like most oil companies, Standard has a predominantly inside board. Its chief operating people double in brass as directors. On Indiana's board there are only three outsiders.

Once a week this board sits as an operating committee; then each Monday it meets formally as a board. Either Peake, Prior, or Wilson—and sometimes all three—attends, the senior man acting as chairman.

Agreement isn't difficult. Each director speaks his piece, and if a decision has to be made, a meeting of minds comes naturally. That's because virtually all of the board members have worked together for years.

In the top executive group, only one man could be called an outsider, in the sense that he was recruited outside the company—David Graham, the financial vice-president.

• Not of One Mind-There have been disagreements, though. When the

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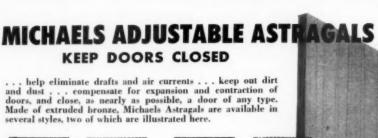
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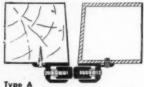
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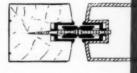
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"... on the surface, Wilson and Peake have nothing in common except confidence in themselves . . ."

SO (IND.) starts on p. 75

company changed advertising agencies, Wilson was against it. But Peake's sales manager, as chairman of the advertising committee, prevailed.

Public relations is another area where Peake and Wilson don't see eye to eye.

Says Peake: "I always told them they stress quantity too much." But since this is Wilson's bailiwick, Peake stays out of it.

Major disputes are less likely to develop at the top, however, now that the field force can make more of its own daily decisions.

IV. The Men

The years of Wilson and Peake rule have been prosperous ones for the oil industry. So sales have gone from \$600-million in 1945 to \$1.6-billion in 1954. Profits were over \$117-million. Indiana Standard ranks third among oil companies.

Directions in which the company should be moving have been obviousmore and more production, increased refining capacity, greater penetration of markets, research and development of petrochemicals. Under such conditions, you wouldn't expect serious organization-splitting disagreements.

You might expect personalities to clash, though-especially when you have two men who are opposites in every way. On the surface Wilson and Peake have nothing in common except the confidence each has in himself.

• The President-Peake was raised in the Midwest and California. He got an A.B. from Stanford University in geology, was a roustabout in oil fields, was production chief of Midwest Refining Co. when that company became an Indiana Standard subsidiary. His whole career has been in operations, chiefly production. He has spearheaded SO (Ind.'s) drive to increase its production capacity.

On the outside he speaks rarely. In his office he is voluble, expresses himself with gestures, and has no hesitancy in voicing opinions. He has been a widower for years; his chief interests are hunting and fishing. He belongs to the Bohemian Club in San Francisco, where he has spent many sessions with a close friend, Herbert Hoover. Politically, he is a Taft Republican.

One ex-associate called him "a oneman type of guy, rough and tumble."

He himself remarks: "Wilson could never get used to my chewing tobacco.

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Wilson BUSINE It was a great relief to him when I quit.it."

The Chairman—Wilson doesn't smoke or drink. He's married, with three married daughters, still has the first secretary he ever hired.

His background is Eastern. His father was a mathematics teacher. Young Wilson won high honors at Wooster College in Ohio, took a chemistry degree at Massachusetts Institute of Technology and taught there for several years.

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His bent is applied chemistry. After being a consultant to oil companies, he wound up as assistant research director of Standard of Indiana. He has numerous patents in his name, belongs to most of the technical societies and has a schedule crowded with speeches before college groups, association meetings, and public forums. He's spokesman for the company because he likes such a life—and Peake doesn't.

• Two Lives—Socially, Peake and Wilson rarely mix. Wilson likes golf—he works methodically at it to shoot a fair game—and bridge. It's a mark of his personality that he can be an Eisenliower Republican and a liberalizing influence in the National Assn. of Manufacturers and still be a Saturday night bridge partner of conservative Gen. Robert E. Wood, one of his favorite businessmen.

The division of the company between Peake and Wilson was natural.

Wilson was groomed for his job by getting the presidency of what was then Indiana's subsidiary, Pan American Petroleum & Transport Co., merged last vear into the parent leaving American Oil Co. as the East Coast operating

Peake's long production and operating record, and Wilson's years as researcher, gave Indiana Standard the chance to spread the load at the top when Seubert retired.

Judson F. Stone, an Indiana director who also is a director and member of International Harvester Co.'s executive committee, has told Peake and Wilson there is one main reason the two have been able to practice what the 1945 memorandum preached:

"You work at it."

• The President-Elect—When Prior becomes president in May, the same arrangement will be in force. It should work well. Prior had been Peake's right hand long before he became executive vice-president. His background is identical with Peake's—Stanford, the Bohemian Club, Herbert Hoover, and the experience of an outdoor life.

• Question to Come—Wilson is 62 this month, so his retirement is only three years away. When that happens, will Standard continue the two-man idea?

"We'll have to wait and see," says



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FX-NO. 2 MAN, David B. Lichtenstein, NO. 1 MAN, Pres. Donald L. Barnes of leads proxy fight against control by . . .



AIC, now holding reins.

The Battle Gets Tough When Top Men Fall Out

American Investment Co., St. Louis, is in the middle of a knockdown fight between the two men (pictures above) who get credit for building it into the third largest small loan company in the country (BW-Jun.13'53,p41).

On one side is Donald L. Barnes, AIC's president, now in the saddle in the company's management. On the other is David B. Lichtenstein, who until his ouster last May held the operating reins as executive vice-presidentdrawing the same salary as Barnes down to the penny. Both men are respected members of the St. Louis business community.

According to Barnes, it's a battle over introduction of modern methods of management. But Lichtenstein contends this is "just an excuse."

· Showdown-Last week, Lichtenstein made the break with Barnes complete; he resigned as an AIC director "because of the antagonistic attitude of the management toward me." fighting Barnes's control of AIC tooth and nail through a proxy battle for stockholder support.

The fight should be resolved one way or another within the next few months. The proxy battle will come to a head at the annual meeting in May. Just before that, on Apr. 25, an AIC lawsuit against Lichtenstein is scheduled to reach the courts. The suit, however, doesn't involve AIC control, but has to do with the ownership of another loan company-Liberty Loan Corp., Chicago.

· Split-The split between the two executives began about three years ago -after almost a quarter-century of working together. It was in 1928 that Barnes and Lichtenstein put their two small finance companies together; and up to last year they were the top executives. AIC grew from peanuts to a company with loans of over \$200-million and assets of more than \$160-million in 1953 (the 1954 figures aren't out vet).

From the start of their association, Barnes had been president. After World War II, he made a name for himself as one of the chief promoters of consumer finance companies as respectable businesses, and good risks for banks and investment brokers. His chief job was peddling AIC to investment bankers and establishing lines of

Lichtenstein was the inside man, and as such was the key operating man in the company.

• In the Open-It was a surprise to most when the fight broke out into the open last year. The tipoff actually came on Feb. 15, 1954, when Lichtenstein took leave of absence, and his job was spread out among three or four other men-including Barnes's son.

Here's the sequence of events after the break got into the open, starting toward the middle of 1954:

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THE PACKAGING NEWSFRONT

The spreading use of money-saving multiwall paper bags as containers for processed foods is emphasized by recent developments in the handling of peeled and sliced apples for the bakery trade. In the Los Angeles area alone, there are at least four companies giving this service to bakeries.

Previously, second-hand apple boxes with waxed paper laid in as a liner were used and re-used. However, the health authorities stepped in and required sterilization of the boxes (involving expensive equipment) after each use.

Bemis packaging engineers then developed a multiwall bag of wet strength kraft paper, with one ply of waxed paper, that amply met all requirements and saved money. There are no further costs for wax linings, returned container handling, or sterilization, and storage space is only one-tenth that required for the empty boxes.



One of the largest and lightest one-piece weather-protective covers is the nylon barge cover recently produced by Bemis for a leading Southern coal company whose barges ply the Mississippi River.

This one-piece vinyl-coated nylon cover is 252 feet long and 42 feet wide, but it weighs only 600 pounds, as compared with more than 3,000 pounds for a conventional duck cover of the same size. The labor saving in handling the cover weighing only one-fifth as much as its predecessor is substantial.

The Bemis-made cover was used primarily for the down-river shipment of grain cargoes from Northern river ports. The first cargo under the new cover was 98,000 bushels of soybeans, valued at between \$250,000 and \$300,000. Although subjected to severe wind and rain storms during the trip, the cargo was perfectly dry upon unloading.

You can answer so many needs with Bemis products . . . both in and out of the packaging field. If you need a package that will increase sales, give better protection to your product, or simply save you money . . . or if you are interested in other Bemis development in paper, textiles or plastics . . . consult us. Bemis products meet an astounding number of industrial, commercial and recreational requirements, and new uses are continually coming to light. You may want our engineers to create a new package, or to advise you on packaging methods.

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". . . he could not have all the different functions reporting to him . . ."

AIC starts on p. 8

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· May 24-AIC's board of directors abolished Lichtenstein's job of executive vice-president a week after the annual meeting. He remained as director

· July 20-The side battle over Liberty Loan Corp. got under way. Stockholders of Liberty, a small consumer finance company with assets at that time of about \$25-million, were called together; they were informed that a St. Louis group headed by Lich. tenstein had gained control of the com-The group included Lichtenstein's family and three former execu-tives of AIC. With the stockholders agreeing, the Liberty directors elected Lichtenstein president.

 Aug. 25-AIC filed suit in federal court against Lichtenstein and others over the Liberty Loan Corp. deal. Lichtenstein and the other three former AIC executives had formed Key Finance Co., and through it had bought Liberty Loan. The AIC suit named as defendants not only Lichtenstein personally, but also the three other ex-AIC men, Key Finance Co., Lichtenstein's wife, and Lichtenstein as trustee of his son's estate. Barnes, through the AIC suit, claims Lichtenstein was really acting for AIC in arranging the Liberty Loan deal. Barnes wants the court to force Lichtenstein and his associates to transfer the Liberty stock to AIC for

the same price they paid for it.
• Jan. 24, 1955—Lichtenstein and a group of AIC stockholders controlling about 200,000 shares laid the groundwork for a proxy battle in AIC. They asked for a vote by stockholders on a proposal for cumulative voting that would give minority groups a chance for representation on the board. A petition to the board also asked members to hire a "well-rounded, expenenced executive, who can command the confidence of the employees, stockholders, and the bankers.

Lately, Lichtenstein has engaged the help of proxy battle specialists to wage

the fight against Barnes.
• Charge—What happened between the two?

Obviously, in a split of that kind, you can get all kinds of stories, each one contradicting another. Briefly, here is Barnes's version:

His former co-executive refused to accept the fact that the company had grown too big in the postwar period for a closely controlled top management. Barnes adds:

"What I insisted on-the board insisted on-was to decentralize responsibility. Lichtenstein would not agree. The board offered him his choice of executive responsibility, but he could not have all the different functions reporting to him."

Barnes says Lichtenstein was ousted when he refused to agree to the new type of management; then new officers were named, and a five-man policy com-

mittee was set up.

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Lichtenstein, he says, was offered a directorate and retirement on a \$2,000 a month pension for life, if he would agree not to engage in a competitive business. (Both men agree this offer was made.)

The result, according to Barnes: "We lost some key people, but proof of our strength is we replaced them with able men. And we eliminated the old bottlenecks. It isn't necessary to funnel everything now through one or

• Answer-Lichtenstein's version, as vou might suspect, differs. He says:

"Barnes can say what he wants, but he engineered my ouster by the present board of directors.'

He hints of nepotism, and adds: "All I know is that his contention that I refused to go along with modern methods of management is just an ex-

Lichtenstein says that during their long association, Barnes always stuck to financing-the outside man. For years, he says, when Barnes owned the St. Louis Browns (he bought them in 1937, sold them in 1944), Barnes wasn't around the company much.

As for himself, Lichtenstein says, he always delegated authority, and had a well defined set of responsibilities for

his people.

At present, Lichtenstein claims, Barnes's control of at least 10% of AIC stock gives him working control of the company, permits him to pick and choose directors and always elect his slate. That's why, Lichtenstein says, he wants cumulative voting installed to assure minority representa-

Since he took charge of Liberty Loan last July, Lichtenstein says that company has started to boom-its stock has risen, new offices have been opened, a dozen or so former AIC people have joined it. On this last point, Lichten-

"If AIC was able to absorb the loss of personnel to Liberty as it did, then must have had something to do with training of those men who stepped into

the vacancies."

· Neutral Views-The business community in St. Louis, financial men, and directors are pretty unhappy about the whole thing. On the other hand, one director-a banker-commented: "I'm glad it's out in the open and we can get it over with."

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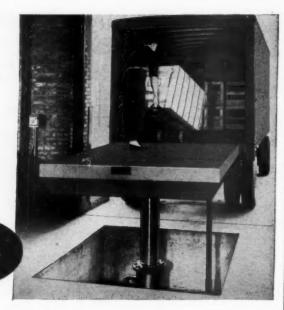
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MANAGEMENT BRIEFS

Louis E. Wolfson has named his first candidate (besides himself) for the nine-man Montgomery Ward board on which he hopes to seat a majority at the annual meeting Apr. 22. The nominee is Robert F. Black, president of White Motor Co. of Cleveland and a director of three other companies. Black acquired 100 Ward shares in the past month.

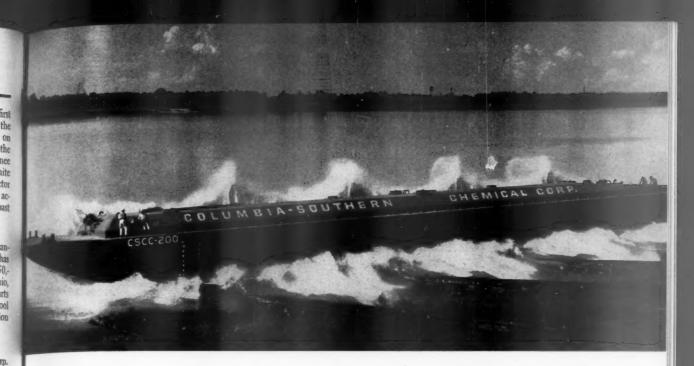
Whirlpool Corp., home laundry manufacturer of St. Joseph, Mich., has bought Motor Products Corp.'s 250, 000-sq. ft. plant in Marion, Ohio, which was shut down by the auto parts maker when orders sagged. Whirlpool is planning to convert the \$4-million plant to manufacture clothes driers.

Consolidation at Sun Chemical Com. (BW-May15'54,p136) resulted in a 43% jump in net last year over 1953-despite a 3% drop in sales. The chemical and ink maker's research, marketing, advertising, and public relations units were centralized and coordinated to cut overlap and duplication. Ralph Persons, president, credits Sun's executive idea clinic—a series of meetings between top brass and operating management—for a good deal of the moneysaving.

Case Institute of Technology has lined up an impressive industry cross-section as speakers for its three-day on-campus conference on operations research progress in industry, starting Apr. 5. The scope of the meetings, for which Case is now taking registrations, includes organization of operation research plans, application techniques, and measurement.

Companywide electronic networks will not reverse the trend away from highly decentralized management, says Don G. Mitchell, president and chairman of Sylvania Electric Products, Inc. Speaking in New York at the American Management Assn.'s first conference on electronics in business, Mitchell said that, while electronic data processing does speed up decisions, decentralization of authority will continue.

To finance diversification, probably into electronics, Thor Corp., a Chicago washing machine manufacturer, will sell its main plant in Cicero, Ill. Thor will stay in the same business, however, it has just signed a contract for Bendix Div. of Avco Mfg. Corp. to make Thor's new automatic washer.



THIS BIG SPLASH IS MAKING CHEMICAL HISTORY

Here's the newest of a long list of Columbia-Southern achievements in the transportation and handling of industrial chemicals. The launching, pictured at New Orleans, is of one of Columbia-Southern's new fleet of advanced-design caustic soda barges.

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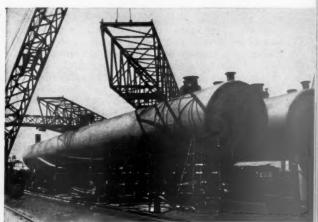
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The development of the industry's most advanced barge fleet is a natural outgrowth of Columbia-Southern's pioneering research and development in transporting liquid caustic soda by both rail and water. Distinctive features of this new fleet include newly designed electric pumps that speed and simplify unloading; Pittsburgh Fiber Glass insulation and the most modern steaming facilities; Columbia special tank lining and nickel pump fittings to prevent metallic contamination of the caustic; complete safety construction and equipment.

Setting the pace in chemical transportation is one of many contributions to the chemical industry by Columbia-Southern, a leading producer of chlorine, alkalies and related chemicals.



On Columbia-Southern's new barges, one end is sharply raked, while the other is flat. This permits far greater maneuverability. Also, more barges can be moved faster



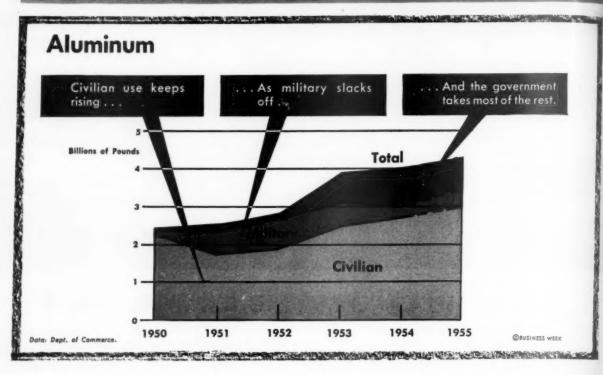
with the same towboat power. These barges are equipped with two caustic soda cargo tanks, each of 600 ton capacity, especially mounted and insulated to facilitate unloading.



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Civilian Market Is Catching Up

Ten vears ago, aluminum was considered primarily a war metal, and it ranked in consumption a poor fifth behind steel, copper, lead, and zinc.

Today, aluminum ranks second among the metals. Last year, it passed copper on a tonnage basis; on a cubic foot, or volume, basis the 1954 supply of aluminum was 50% greater than the supplies of copper, lead, and zinc put together. Far from being mainly a war metal, aluminum now has a bright and shiny peacetime market that is only beginning to grow toward its potential.

• Supply Rising-Domestic production has more than doubled since 1950 and is still going up. Anaconda Aluminum Co. is scheduled to start production at its new reduction plant around July, adding 60,000 tons a year to industry capacity. Last month, Aluminum Co. of America announced a 65,000-ton expansion of its works at Rockdale and Point Comfort, Texas., to be ready in 1956.

Another big plus sign in total supply is Canada's huge aluminum development at Kitimat, British Columbia. Kitimat came into production last year with an initial capacity of 91,500 tons. But it was planned for an eventual capacity many times that figure, and an

expansion that will add another 60,000 tons is already in the works. A large part of this metal is scheduled to come to the U.S. market.

• The Stockpile-While civilian consumption of aluminum is moving up smartly, it's still a good deal under total domestic supply (chart). But there is no surplus on the market-far from it.

For one thing, there is the regular government call for aluminum for the stockpile. Beyond that, producers also have an automatic safety valve in their five-year purchase contracts with the government. Under these contracts, the government will take for the stockpile any production from facilities built under the first and second rounds of aluminum expansion that producers can't sell on the open market. These contracts cover some 40% of total capacity.

The first of these contracts runs out in November, 1957; the last around mid-1959. Stockpiling is also on a diminishing rate and should be completed by 1960. Government people say that, by then, civilian consumption should have risen within 10% of total

• The Market-Right now, the aluminum market is tight—a sharp turnaround from the situation during most of last vear. Military use last year dropped sharply to less than half of what it was the year before. Civilian demand rose, but not fast enough to take up the

The government took another look at its aluminum needs, current and incoming capacity, and the rate of buying for the stockpile, and formally announced that it was giving up its third round of aluminum expansion.

Toward the end of the year, the market began to tighten; now it's tight to the point where you hear talk of shortages.

· Inventory Buving-The trouble started with aluminum scrap. Prices had been moving up slowly since mid-1954 but really picked up speed at the turn of the year. The high prices for scrap and secondary metal have put pressure on primary producers.

Government officials and aluminum producers agree that there is no shortage of aluminum-plenty is being produced to meet current needs. Essentially, they say, the same thing has happened in aluminum as in other metals: People's ideas about inventory have changed.

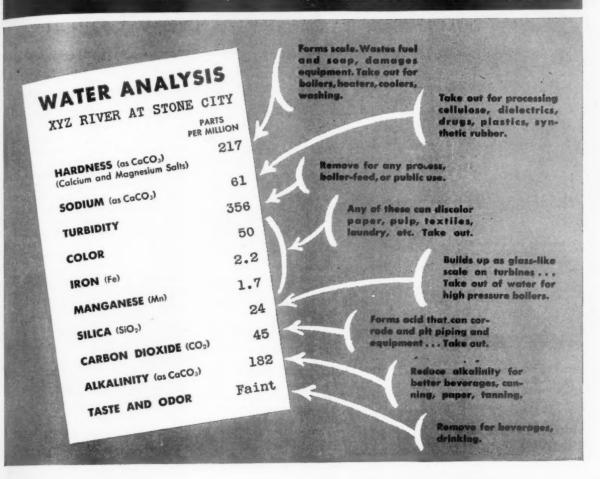
Last year, they were letting their inventories run down; now they're trying

Mode miner pays o · Ac salts (jects c in the the tr A text jected color : and n taking pimple the so water. Havor

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WATER:

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of

A texture militraced 60% of its rejected dyed goods to the turbidity, color and hardness in the water... and now saves \$12,150 a year by taking them out with its filters and softeners. An auto body plant ended pimples in the finish by removing the sodium salts from the rinse water. A brewer improved his beer's flavor by removing certain salts from the water.

- These and similar examples in practically any business using water have shown up in the files of The Permutit Company, pioneer and leading designer and manufacturer of water-treating equipment. Industry is taking a closer look at water quality. Permutit's laboratory now makes 1200 water analyses a month for customers and prospects.
- Interest increasing. U. S. demand for water will double between 1950 and 1975. With water shortages in some industrial areas, big users like chemical and petroleum plants must make the best of the supply available... and condition it for recycling and multiple use. New processes also sharpen water requirements. For ex-
- ample, the new high-pressure power generating plants require a boiler feedwater as mineral-free as distilled water! Permutit ion exchangers supply it at low cost.
- Literature available. If you have a process that might be improved with better water . . . PERMUTIT can help you. Address: The Permutit Company, Dept. BW-3, 330 West 42nd St., New York 36, N. Y.

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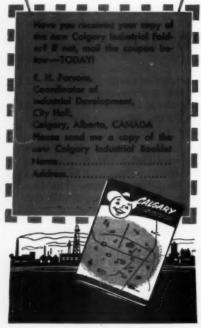
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Minneapolis-Honeywell . Willard Battery .
Pillsbury Flour . Safeway . Crown Zellarback

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to build them up. Since everyone is doing the same thing, all find that it now takes longer to get the metal they used to be able to get immediately. This leads to still more worry about inventories, scare buying, and placing the same order around with several different producers.

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U. S. Breeds a New Cotton

Pima S-1 may give Egyptian imports real competition
. . . Coffee growers are still bogged down . . . Soybean
prices are a bone of contention . . . Depleted copper stocks
send users scrambling . . . Coal's prospects look up.

Pima S-1, a new strain of American cotton, may give the Egyptian extralong staples some real competition in the U. S. market.

Staple, in cotton, means fiber length, and the longer the staple the better. The blue ribbon cottons-the ones that go into the finest and sheerest fabricsare the so-called extra-long staple varieties, with the fibers measuring 13 in. or better. Up to now, Egypt's cottonknown as Karnak-has had this field pretty much to itself. Extra-long staples were produced in this country but, though quality was good, yields were so uncertain and generally so low that its cost took it out of competitive range with Karnak. So most of the domestic cotton ended up in the price-support stockpile.

Pima S-1 seems to be the answer. First planted commercially in 1953, it has caught on fast; by 1954, a majority of the extra-long staple acreage went to the new cotton, and most of the rest probably will follow along soon.

There are good reasons for all this popularity. The farmer gets a much higher yield than on older varieties. Also, the plant has a larger boll size, which makes it easier to harvest.

All signs indicate that the new cotton will be popular with the mill as well. Spinning tests show it to be even stronger than Karnak, and it is at least equal to Karnak in such characteristics as uniformity of fiber length (a very important qualification), low waste content and lich lenters.

tent, and high luster.

Most important of all, though, the new cotton will be able to compete in price. Currently, Karnak sells for about 67¢ a lb. at the mill, while the price of Pima S-1 is 67¢ at the farm market, or around 70¢ including transportation to the mill. But the 5,000-odd producers in Arizona, New Mexico, and west Texas have asked Congress to reduce price supports on these extra-long staples from 90% to 75% of parity. Higher yields and easier harvesting allow them to take the cut in price. When the new support price becomes effective—on Aug. 1—the price of Pima S-1 will drop to around 55¢ a lb. At that time, U.S. growers will have a

product that not only can compete with Karnak in quality, but will have a slight price edge as well.

Producers have formed the Supima Assn. specifically to promote and sell Pima S-1, and have assessed themselves \$3 a bale to help along with the job. Yarn and fabric made from the extralong staples will be called Supima.



Coffee brokers on the N. Y. Coffee & Sugar Exchange (above) are going to be working under a new set of rules. Up to now, futures trading in coffee was limited to the "S" contract, which included only coffee from four major Brazilian ports. The Federal Trade Commission announced this week that the exchange has agreed to drop its old trading basis and substitute two new contracts. One of these, the "B" contract will be substantially the same as the old "S" contract, and cover Brazilian coffee. The "M" contract will cover Colombian and Central American coffees.

The agreement rises out of an investigation started by FTC early last year, as coffee prices were shooting up. In a complaint brought against the exchange last October, FTC charged that the narrow supply base—the result of trading in

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COMMODITIES NEWS starts on p. 88

just one contract—brought coffee prices that were "inconsistent with competitive supply and demand conditions." The new rules broaden futures trading to include about 70% of the coffee coming to this country.

But with the pressure on prices continuing, the coffee market is still having chills and fevers. The big question is whether the coffee producing countries will do anything, singly or together, to bolster their earnings (BW-Feb.26'55, p139). Prices fluctuate from one trading session to the next, depending on the day's rumor.

Colombia has already strengthened its minimum export prices to bring them back in line with their normal relationship above Brazilian prices. Other Latin American countries have called for joint export minimum prices, but few of them export enough to have much effect on the market alone. At midweek, they were still having trouble getting together.

The basic weakness in the market comes because there's just more coffee around than is being used up.

Brazil's crop this year will figure out to about 1-million bags under last year. It's this year's crop—1954-55—that was going to be hurt so bad by that frost way back in July, 1953. Estimates of the damage by October, 1953, had Brazil's 1954-55 crop down by 1-million to 1.5-million bags—so actually the estimates weren't far wrong. What the estimates ignored was that world production this year will be a shade higher than last, in spite of Brazil's loss. Last year (the 1953-54 crop), while Brazil's production was a shade down, world production actually gained almost 1-million bags.

That's the over-all crop picture: World production is edging up. But in terms of total supply, another big factor enters the situation. Because of its unrealistic pricing policies, brazil's exports have been down since mid-1954. (Coffee exports from Brazil for 1954 as a whole were the lowest in 35 years, with the exception of the four war years 1917-1918 and 1942-1943.) The U.S. Embassy estimates that Brazil's carryover at the start of the new crop year—June 30, 1955—will be around 6-million bags. Others figure it will be still higher. Last year's carryover was 3.3-million bags.

Finally, and this may well be the real villain in the piece, consumption in this country dropped at least 10%



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MUSKEGON, MICHIGAN

last year. That alone is the equivalent of 2-million bags of coffee.

Some observers feel that the market now is over-nervous about the surplu, just as it was over-nervous last year about the shortage.

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Soybean growers and processors are having a tug of war.

Growers are holding their beans of the market, waiting for higher price. The processors—who crush the beans to get meal and oil—say that there's not enough margin between soybean prices and meal and oil prices for them to make a profit. Many say they're losing money.

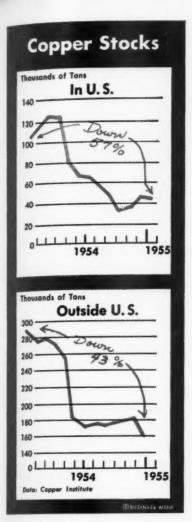
A number of the biggest processors, including Archer-Daniels-Midland Co., A. E. Staley Mfg. Co., and General Mills, Inc., emphasized their point by closing down sizable parts of their production for varying periods late last month. Mostly, they're back in production now, but the majority of them say that unless conditions improve they may close down again as soon as their present commitments are filled.

Soybean oil prices are down very slightly below a year ago, but meal prices are down a massive 24%. This is due partly to increased supply since last year, partly to the sluggishness of the market for poultry and cattle feed-the main use of soybean meal—over the past few months. The processors say they just can't make out at these prices.

As for the farmers, they have some historical justification for expecting higher prices later in the year. Traditionally soybean prices are low at harvest time in the fall, then move up as supplies tighten, hitting their high points during the following summer. As storage facilities improve on the farm and in elevators, more and more farmers have been doling out their beans slowly to take advantage of the higher prices.

This year they're doling them out more slowly than usual. Last year's crop was one of the smallest in recent years, and prices were very strong, moving from \$2.41 a bu. in October, 195 to \$3.55 last May—close to a 50% in crease. This year, on the other hand, the soybean crop set a record high. Prices now are around \$2.70 a bu. (still above the support level) compared with \$3.40 a year ago. Most processors feel growers are now holding out for \$3.

With price supports on the coming crop slated to go down, observers say that farmers will have to start marketing large chunks of their record holdings soon—and that this may well depress prices still further. The Agriculture Dept. says, "It's not likely that soybean prices this spring and summer will show their usual seasonal rise."



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Worldwide copper stocks are badly depleted and users are scrambling for supplies. Strikes—first in the U.S. and Chile, then in the Rhodesian copper mines—are chiefly to blame.

Most of the Rhodesian miners are now back at work, and supplies will start to increase probably by May or June. Last week the Office of Defense Mobilization released 8,000 tons of copper to civilian markets to ease the current shortage, and the Commerce Dept. put further restrictions on copper exports for the second quarter.

For the first time since 1951, it looks as though the coal industry will chalk up some plus signs for 1955.

Last year's bituminous production was down 14% from 1953, anthracite was down 12%. But the annual totals don't tell the whole story. Though anthracite is still very weak, bituminous bas been picking up slowly since last April; by December, it had passed yearago levels, and since then has been running 7% ahead. Estimates put this

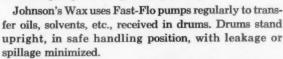


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NEW LATHE: Precision at lowest cost

Five years of intensive development by the pioneer power tool maker (Delta Power Tool Division, Rockwell Mfg. Co.) has produced the most exciting metal lathe advance of recent times: a new high in 11" lathe precision, safety, and convenience combined with a new low in price. Performance of Delta 11" metal cutting lathe is based on new design features found in no other lathe. New Delta machine is intended for metal fabricating plants, tool rooms, schools (71% of U.S. school shops use Delta tools), and experimental departments. For details write: Delta Power Tool Div., Rockwell Mfg. Co.,540-CN. Lexington Ave., Pittsburgh 8, Pennsylvania.

year's production between 5% and 10% higher than in 1954.

N.

The big gains in coal use will confrom steel and the electric power milities.

The dropoff in steel production less year hurt coal more than any other factor; but with steel going almost fall blast now, coal should more than a trieve its loss in 1955.

The utilities upped their take slightlast year and will probably use a god deal more this year. Industrial use and will be up, with the general improvement in business.

On the other hand, use for home heating and railroads—once major makets for coal—lost heavily last year and will again in 1955. Anthracite, paticularly, is smarting from the loss of the home-heating market.

Coal prices dropped slightly in 1974, and reports of price concessions to East Coast utilities may mean a softening again this year. Coal-oil-ga competition is especially sharp in the utilities field, since many plants are equipped to burn all three, and will switch from one to the other depending on price.

COMMODITIES BRIEFS

First paper from synthetics: Du Pont announced last week that it has produced—from nylon, Dacron, and Orlon—a paper that is three to 10 times a strong as paper made from pulp or ng. The company says the paper is highly resistant to chemicals, molds, bacteris, and light, and will absorb very little moisture.

Price supports on cottonseed may come off this year, according to a top Agriculture Dept. official. The theory is that soybean oil and cottonseed oil prices follow each other closely, and the support for soybean prices should keep cottonseed prices up.

Wool use in the U.S. was down by some 25% last year, according to the Agriculture Dept. Synthetic fibers, used by themselves or in wool blends, have cut deeply into wool's market.

Hide prices, weak since mid-1953, are still down. The problem: While peak rates of cattle slaughter have loaded the market with hides, competition from synthetics, particularly in sole leather, is cutting steadily into leather's share of the shoe market.

The sugar market is weak right now. Raw sugar prices have declined. Refined sugar came down some 10¢ a b. last week, with still no great pickup in demand.

NEW PATTERNS FOR PROFITS

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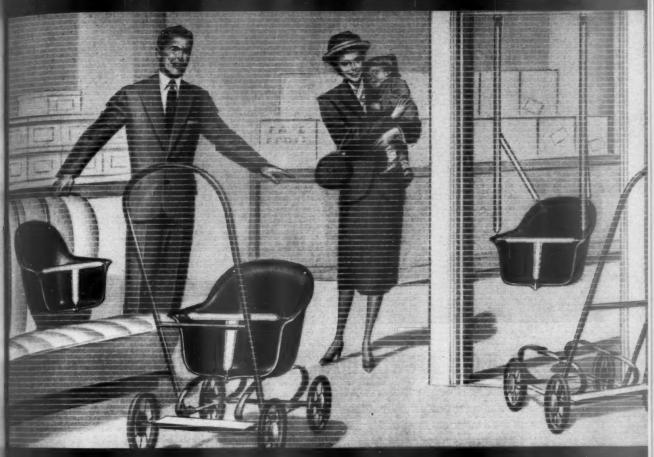
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Would a three-in-one reinforced plastic stroller, door-swing, car-seat find a market among 3.8 million babies a year?



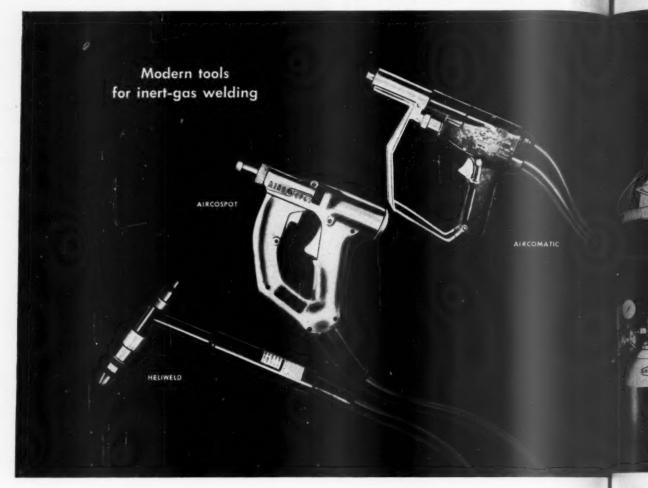
Here's a design idea for profit-minded manufacturers... a colorful stroller, door-swing and car-seat all rolled into one. Made of a single strong, lightweight reinforced plastic molding that could be made to sell for less than three separate items.

This is only one of the many designs possible with reinforced plastic, the new material produced by laminating glass fibers with polyester resins.

Versatile reinforced plastics have almost limitless design possibilities. Using them, manufacturers can produce molded parts which are colorful, weather-resistant, shatterproof and incredibly strong. And any manufacturer can quickly put new products into production...simply by creating the contour-design parts and turning them over to a qualified custom molder for production.

If you are a manufacturer of children's furniture, ride-around toys, buggies, walkers... investigate reinforced plastics! Monsanto, a basic producer of styrene monomer, phthalic and maleic anhydrides, the resin raw materials of reinforced plastics, will be glad to send you a copy of A SKETCHBOOK OF PROFITABLE PRODUCTS. Booklet available only to established manufacturers. Please write on your company letterhead to MONSANTO CHEMICAL COMPANY, Room1203, Plastics Division, Springfield, Mass.





Fit more profits into your production picture with

The three Airco welding units, above, offer a ready solution to manufacturers seeking lower production costs and a higher margin of profit.

These inert-gas-shielded arc welding processes were researched and developed by Airco to produce top-quality welds in all engineering metals...including aluminum, bronze, copper, nickel, stainless steel, and steel. The high speed Aircomatic® process, for example, is unique in that it can weld all metals and alloys without flux, with minimum plate edge preparation and little or no preheat. In performance, Airco's Heliwelding is similar, though engineered for fast welding of thin sections of metal—any metal.

And Airco's newest contribution to inert-gas shielded welding, Aircospot, welds sheet steel and stainless steels from one side of the pieces to be joined, completely eliminating jigs and backup plates. It's the perfect primary tool for fabrication and no finer cost-saving tool for tack welding has ever been devised.

Developments like these three welding processes have made Airco a leader in the fields of arc and gas welding, flame cutting, equipment and supplies. Perhaps one or a combination of these modern tools can



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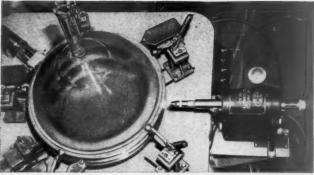
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The Heliweld Head, a mechanized unit for employing the Heliweld process, solved an assembly problem in the production of color TV picture tubes. Tubes had to be made in two delicate sections but conventional glass sealing would injure sensitive parts. Steel flanges welded by the automatic Airco Heliweld Head proved the perfect answer.



Tack welding with the Aircospot gun is an invaluable method used to particular advantage in fabricating and repairing truck trailers and railroad cars. The gun takes about a second to make a sound, strong spot weld in mild, alloy or stainless steel sheet up to 3/32inch thick. It needs no jigs, fixtures, or back-up plates.

Airco inert-gas welding

serve you. For literature pertaining to your particular field of interest contact your local Airco Sales Company Representative. And, if you would like more information about the products and services of Air Reduction and its divisions, write for the 36-page booklet "Facts About Air Reduction."

AT THE FRONTIERS OF PROGRESS YOU'LL FIND ..





• The versatility of Aircomatic welding, which can also be used manually and semi-automatically, is shown here in a fully automatic operation where its speed has cut labor and material costs by 41%. Other Airco products in the picture include a DC "Bumblebee" arc welding machine and Airco helmet, gloves and welding accessories,

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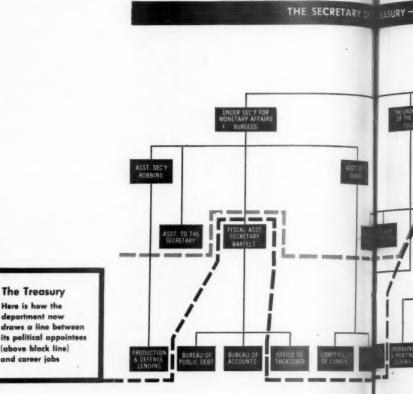






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VERNMENT



Commission Remaps

When George M. Humphrey took over as Secretary of the Treasury in 1953, he needed someone to turn to for advice on what had been going on, what the personnel problems were, and what the department's internal budget situation was.

The Treasury

Here is how the

department now

(above black line) and career jobs

One of Humphrey's friends, a businessman, told him, "There's a fellow sitting over there right now who's just your man. His name is Bill Parsons. He has been in Treasury since Morgenthau days. He's a career man, and he did a good job for Henry Morgenthau, a good job for Fred Vinson, and a good job for John Snyder. He'll do the same for vou-or anybody else, whether Democrat or Republican." So William W. Parsons, a govern-

ment career man whose job is vital but whose name is virtually unknown, stayed on as administrative assistant secretary. He offers advice, when asked, to his fourth Secretary of the Treasury and sees to it that policies worked out

up above are executed to the satisfaction of his political bosses.

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Actually, Parsons is but one of thousands of career men who became "holdovers," while the "new people" searched for someone to trust.

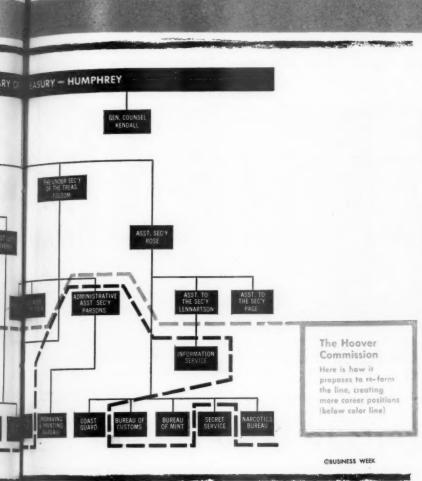
During the past 18 months, the Commission on Organization of the Executive Branch of the Government (the Hoover Commission) has been studying the type of situation in which both the Humphreys and the Parsonses find themselves every time there is a change in leadership.

I. A Senior Service

The Hoover Commission now has reported, and proposes these remedies:

· Create a Senior Civil Service, for men like Parsons and up to 3,000 other top-drawer career administrators. These would be people of proved ability and political neutrality, dedicated to serve any Administration.

BUSINESS WEEK . Mar. 5, 1955



Civil Service Setup

 Make available more noncareer policymaking (political) jobs in the upper strata of government departments and agencies.

As things now stand, there is no steady demarcation between political and career jobs. This shows up in the chart of Treasury organization (above). The same crazy-quilt pattern would come up in other departmental charts, although the details would differ.

• "Twin" Projects—Hoover Commission staffers call the two proposals their "twins." Actually, the idea of a Senior Civil Service is more intriguing. Political appointees come and go. But all too often, the commission says, medium and bad civil servants stay and stay, while the really good ones are lured into private enterprise.

Higher pay—probably as much as \$25,000 for men of long service and outstanding achievement—would help keep good men. But the commission feels that added prestige is just as im-

portant. It would supply this by making them "commissioned officers" of the civilian government.

The Senior Civil Service would function as a theoretical pool from which political administrators—department secretaries or agency heads—would draw their top nonpolitical staffers. In addition to general administrators, the pool would include specialists in all areas of governmental interest.

A corollary to the commissioned rank and higher pay, says the commission, is the obligation to serve where needed, within the rule of reason. Thus, an expert in foreign economics could find himself removed from a Commerce Dept. desk to a position in the Pentagon, Treasury, or even abroad.

• Screening—The commission doesn't specify the jobs it envisions for seniors, but generally they would be of the type requiring the highest order of executive skill just short of policymaking. Prime candidates for the Senior Civil

Service would be career men in five administrative assistant secretariats—one each in the Labor, Agriculture, Treasury, Interior, and Justice Depts. The positions were created in the latter part of the Truman Administration, and their occupants are guinea pigs for the general idea of extending career service into the topmost ranks.

II. The Experts Speak

This week, BUSINESS WEEK talked with some of the five remaining administrative assistant secretaries and several career top managers at the level of bureau of service chief, to see what the idea would mean to them. All insisted on anonymity. "That's our keynote, and our true function."

According to one of the secretaries, the real benefit is to the government—that is, in having available expert managers who know the programs, problems, and personnel of a department. "To me personally," he said, "the Senior Service could be some help. I'd have a better chance of staying in government with an important job if the Secretary should lose confidence in me."

Another says, "The idea is good, but is one Secretary going to be willing to take somebody else's castoffs?"

One career bureau chief, a specialist whose training began in college, says, "They might as well turn this into a political shop as to put some general man in charge." (The commission's answer is that this is not so. If a man were "busted out" or transferred, a senior specialist in the line would get the job.)

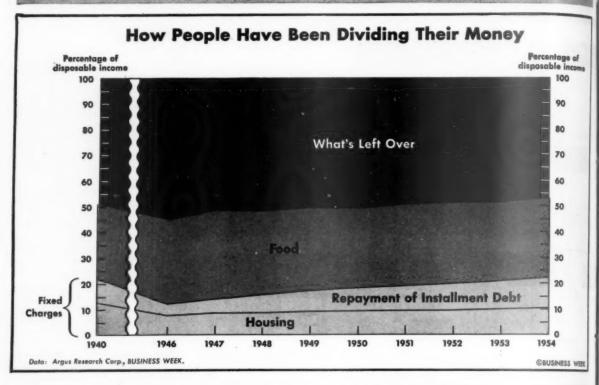
III. Will Congress Buy?

For several reasons, the Senior Civil Service is a thing for the future. For one thing, a Democratic Congress will not extend Civil Service while a Republican sits in the White House. For another, no one has yet tried to sell Eisenhower on pushing Congress for the necessary laws.

Also, politicians of both faiths fear the idea. "Give these guys [seniors] three months and they'd form a . . . pressure group," one says.

• Dissent—Even in the Hoover Commission, the plan has its dissenters. Rep. Chet Holified (D. Calif.) terms the plan "fanciful" and "unrealistic." And while James A. Farley, also a commissioner, went along with the recommendations, he says, "I have some reservations as to whether or not they will accomplish the purposes for which they are designed."

MARKETING



Spending Reverts to 1940 Pattern

The chart above signals a significant development in the postwar economy. The share of personal income that goes into fixed charges and food has returned to prewar patterns.

Food, rent, repayment of mortgages, interest on mortgages, and repayment of installment credit together comprise the bulk of what might be called required expenditures. These are either the basic necessities or the things that people are committed to pay for before they do anything else with their income. What's left over roughly comprises what economists have been calling "discretionary" income—in other words, money that can be spent at people's discretion for anything from sterling silver to washing machines.

Just after the war, the uncommitted portion of people's income stood at a record high. Ever since 1946 it has been declining steadily, until the pattern finally returned to the pre-1940 one. The fact was pinpointed last week by Harold Dorsey, head of Argus Research Corp., New York economic consultants. The figures he ran up provide the basis for the above chart.

Specifically, he finds that what's left over after the required expenditures are taken care of came to 48.6% in 1940. It rose in 1946 to 54.9%, then slowly turned down. Last year the amount left over came to 46.9%.

• Portent—There is a broad significance in Dorsey's finding for businessmen. It means that the area in which the consumer can exert free choice over goods and services is shrinking. In other words, he has lost some of his power to withhold his income or spend it for what he wants.

At the same time, there is the danger that an economic turndown would be made all the more serious by this heavy weight of fixed expenditure. Faced with such commitments, consumers would simply have to cut back ruthlessly in their purchases of anything but essentials.

At the moment, of course, with income running at a record rate, this is hardly a worry. As long as disposable income keeps rising—during the fourth quarter of 1954 it was running at a rate of \$4.5-billion ahead of the year before—any effects will be muffled. Income will be ahead in dollars and cents, and there will be plenty of money to go around among most goods and services.

• New Light—Nevertheless, there are

 New Light—Nevertheless, there are good reasons why business ought to keep an eye on the percentages in the chart above. For they throw a new light on the whole subject of discretionary spending.

Figured in 1954 prices, the disposable income of an average family of four persons was \$4,412 in 1940, as against \$6,244 last year. If you apply Dorsey's percentages, however, this is not quite so happy an augury for the marketing man as it appears at first glance. Subtract the amount going for fixed charges and for food in those years, and you find that the difference comes to \$804.

In other words, the average family of four last year had only \$804 more (in constant dollars) available for discretionary spending than it had just prewar.

The chart does not actually disclose the full range of the consumer's fixed commitments. In the 46.9% that was theoretically left over last year, and available for use according to the consumer's wishes, are a number of committed items such as insurance premiums and transportation to and from work.

 Package Deal—The striking fact about consumer economics is the ever-widening financial commitments that are being entered into by consumers.

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is rushing to stake out a larger claim in the consumer's future paycheck. Airlines will fly you to Europe on the cuff. Painting contractors will do your house on the installment plan. The oil companies will sell you tires on time. Sears, Roebuck will open a charge account for you. Mortgagors will write everything from wall-to-wall carpeting and com-pletely equipped kitchens into your mortgage. Builders will even throw in a new car. Indeed, package deals are being written that tie people up for years, and we may even get eventually a form of life-time revolving credit arrangement.

Futhermore, new products also force people into long-range commitments. A family with an air-conditioning unit,

for example, can be counted on to spend X dollars a year it never spent be fore for power and water.

· Pressure Tells-With commitments of all kinds running high, with savings running higher than ever before, it is no wonder that something had to give somewhere.

One of the chief fall guys so far has been the apparel industry. Before the war, apparel and shoe expenditures to gether accounted for around 10% of disposable income; today it accounts for a little more than 7%

This may be the real significance of Dorsey's finding. The increasing percentage of fixed expenditures means a tougher and tougher battle for some industries to hold their markets.

Distribution Costs Too High?

Critics say they are. The trucking industry is setting up a study group to modernize methods of moving goods from producer to consumer.

The trucking industry-both labor and management-is going to take a new approach to the problem of high distribution costs. It has set up a jointly supported organization called the Economics of Distribution Institute, whose job will be to "promote efficiency and eliminate wasteful practices in our methods of distributing goods from producer to consumer."

The new group, announced this week, will be headed by David Kaplan, who for the past 14 years has been chief economist for the AFL's powerful International Brotherhood of Teamsters. Dave Beck, head of the union, gave the EDI his official blessing. The teamsters, together with a list of companies to be announced shortly, will help finance the

· Cost Element-There is a good reason why the two groups in the industry should team up at this juncture. Both are very sensitive to the charge that distribution costs are too high-a charge frequently brought by consumers, particularly where foodstuffs are concerned. The new institute does not deny that there is cause for the attacks. Says Kap-

These relatively high costs are not due to unconscionable profits, high levels of wages and working conditions, or, as is commonly supposed, to designing middlemen. They are caused rather by outmoded methods, obsolete facilities, unsuitable systems of compensation, foolish and outdated competitive practices, and unnecessarily wasteful consumer buying habits."

Kaplan offered specific examples: It costs more to get a loaf of bread, a bottle of milk, or an orange from the bakery, bottler, or market in New York City to the customer there than it does to produce the raw product and get it to New York in the first place.

It seems natural-considering the force of public opinion-that Kaplan should put the baking and milk industry first on his agenda.

• Mounting Pressure-There will be more pressure from all sides in the near future.

As Kaplan says, "Astounding plans for increasing productivity in many manufacturing industries, including the advent of automation, will inevitably bring about increases in wages and lowering of working hours."

Labor in the distributive services will put on pressure to better its pay and hours. This, in turn, will throw a bright light on the gap between manufacturing and distribution costs, a gap that will grow as productivity in manufacturing increases.

There is also the implied threat that this increasing pressure will force familiar products into new channels of distribution. Kaplan underscores this when he says:

'The institute's objective would not be to substitute one form of distribution for another-for example, store or supermarket deliveries for direct-to-consumer deliveries, or to scrap any useful method of distribution because it costs more than another-but rather to define clearly the useful services performed by each and to promote the methods by which each service can be more efficiently and economically supplied to the consum-



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Canners Stalled at Dead Center

Frozen food volume is rising; canned goods' isn't . . . Two-tone color jobs give dealers a headache and an opportunity . . . Parker Pen and Scripto sign ballpoint pencil pact . . . Appliance makers go deeper into kitchen cabinet business . . . FTC drops the Philip Morris charges.

The canning industry is worried about losing its position on the grocer's shelf.

At the Canners Show in Chicago last week, canners studied some discouraging figures. Production of canned foods in 1954 was 628-million cases—up a mere 3-million cases from the year before.

Over the long haul canned goods have done very well, with per capita consumption rising steadily from prewar through 1946. But then the industry—which had geared itself to handle heavy wartime consumption and huge military orders—got stalled dead center.

The figures for civilian consumption of commercially produced vegetables show the story (the weight of frozen and canned goods is that of the vegetables before processing):

Per Capita Consumption

Year	Fresh	Canned	Frosen
1939	117.2 lb.	57.4 lb.	1.2 lb.
1946	136.8	88.0	4.6
1952	120.2	75.2	11.5
1953	119.3	77.2	12.1

Frozen food isn't the only thing that's giving canners a headache. They are also worried about a renewal of competition from fresh produce, which has had a shot in the arm from prepacking.

The kind of thing that gets under the industry's skin were some figures that turned up at Chicago in a report made for the National Canners Assn. Only 5% of 1,732 retail stores surveyed planned to give more space to canned tood. But up to now the industry hasn't done much collectively to pull itself out of its doldrums, despite the fact it faces a serious threat of overproduction. The chief trouble is that most of the 2,600 canners operating the 3,500 U.S. canneries are small operators.

So far the can manufacturers have carried the promotional ball. National Canners Assn. has some research projects under way, but it has no advertising budget to work with.

Auto dealers are turning what started out as an inventory headache into a minor boon. Many are now doing the two-toning of new cars in their own shops.

They have found it impossible to stock every possible color combination that a customer might want. So they are ordering solid colors of a neutral shade for most of their inventory, then letting the customer select the second color.

The scheme has several advantages for a dealer. He saves the cost of factory two-toning—which may run up to \$30 or \$40. He has his own cost of painting, of course, so it isn't all net gain, but there is another economic advantage: Dealers are finding out that there is less and less mechanical work on new cars for their shops. The big repairs these days are as a result of collisions. So, to keep the repair business, dealers have to install body and paint shops. Between repair jobs, a dealer can keep his paint shop busy on two-toning to absorb overhead.

Besides, the "do-it-himself" twotoning scheme is a terrific sales point. One factory man reports that a dealer for his brand is selling custom twotoning on a basis of "own the only car of its color in town." The factory man says wryly that some people have peculiar tastes in color combinations.

The discount house was given credit by the Labor Dept. for helping to prevent a rise in the cost-of-living index (page 121). Lower prices on apparel and house furnishings counter-balanced rising prices since December in other goods and services. As far as home furnishings go, the lower prices were the result of discount house competition, which forced other retailers to lower their prices generally on all kinds of appliances.

Appliance manufacturers are moving into the kitchen cabinet business-fast.

Westinghouse announced last week that it is going into the cabinet business for the first time.

Through its Wesco supply subsidiary, Westinghouse will offer a wide range of kitchen cabinets—white or colored enameled steel, natural wood, or a combination of the two—to builders in

eight test markets next month. Westinghouse won't make the cabinets itselfit has a manufacturing arrangement with Kaiser Metal Products, Inc. But it will design them, and the colored ones will match Westinghouse colored appliances.

Initial sales will be to builders, but Westinghouse hopes to market cabinets through its own dealers "soon."

Norge (Borg-Warner Corp.'s appliance subsidiary) announced a similar arrangement with Toledo Desk & Fixture Corp., a subsidiary of the Crane Co. Under this agreement, Crane retailers as well as Norge dealers will offer complete "package" kitchens.

General Electric, meanwhile, moved deeper into the business. It already has a manufacturing division to make it own steel cabinets. Now it anounces a deal with the Mengel Co. to supply wooden kitchen cabinets, designed by Raymond Loewy.

These moves are all part of a major trend in the kitchen appliance business (BW-Jan.15'55,p56). With kitchen appliances emerging from their porcelain skins and going into cabinets as builtin units, appliance makers have become more and more interested in the cabinets themselves.



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A walking mechanical elephant with an international background can be yours for as little as \$12,000. And it's easy on gas.

The elephant, named Wendy, first walked during celebration of the Festival of Britain in 1951. Since then it has paraded about at the Republican convention in 1952, at Macy's Thanksgiving Day Parade, at supermarket openings, and on movie sets.

Wendy's present owner is George Wendelken, president of Publicity



18 G-E Packaged Air Conditioners, ranging in size from 5 to 15 tons, keep workers comfortably cool in this busy factory.

G-E Packaged Units help shirt factory solve unique air conditioning problem

At the L & H Shirt Company, Cochran, Ga., congestion of work areas and the heat produced by steam equipment made air conditioning a top-priority need. But when engineers surveyed the situation, they came across a problem unique to the textile industry: lint. It clogs air conditioners' filters in a day's time. The solution proposed was simple and effective—place sheet metal frames holding filters in front of the G-E Packaged Air Conditioners. The filters can then be easily vacuum-cleaned.

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IT PAYS TO HAVE "PLANNED" AIR CONDITIONING! No two businesses are alike! That's why it's so important that air conditioning be "tailored" to your specific plant or office conditions. Trained experts

will make a careful climate survey of your own building, and recommend an installation that will not only give you low-cost, dependable air conditioning now, but can be readily added to when future expansions are planned.

NOW'S THE TIME to air condition! Your G-E dealer can give you G-E air conditioning at very favorable prices, and you can have up to 36 months to complete payments. Summer heat and humidity are only a few short weeks away-be ready for them with new G-E conditioners. Get full information today—call the G-E dealer listed in your classified phone book, or write General Electric Company, Commercial & Industrial Air Conditioning Department, Bloomfield, N. J.

IT TAKES BOTH FOR EFFICIENT, LOW-COST AIR CONDITIONING



Proper installation by G-Etrained contractors. Here Mr. Ben Schwebel (right) of L & H Shirt Company discusses installation with Mr. Harry Toreh of Aaron Torch & Sons, dealers for Thompson Co., G.E.'s Georgia distributor.



The best in packaged air conditioners. G-E designed and built • Easily directed air-flow for no-waste, no-draft circulation • Muggy Weather Control • Attractive, decorator-styled cabinets • New single-unit refrigerating system warranted for five years. 3 to 15 ton capacities.

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Searchlight Co. of New York. He bought the "animal" as an investment in 1953 from the estate of Frank Stuart who built it as a hobby. But now Wendelken wants to sell because he says he is neglecting other phases of his business by catering to the elephant.

Wendy rents out for \$250 a day as against \$350 Wendelken says it costs to rent a live elephant. And Wendy's maintenance costs are very light. It runs on 3 or 4 gallons of gasoline a day.

The elephant is powered by a gas engine. Its legs are four huge pneumatic rams similar to locomotive pistons. And inside its trunk is a vacuum system to suck up peanuts.

Parker Pen Co. and Scripto, Inc., have undertaken an arrangement that's unusual for two companies with competing new products.

The two concerns are leading contenders for the brand-new ballpoint pencil market (BW-Feb.12'55,p54). Last week they signed a formal agreement to share each other's formulas, trade names, and distribution channels. Here is the way the pact came about:

• Two months ago Parker broke the news of the new development with advertisements saying that it would shortly offer something called Liquid Lead. Basically this was a ballpoint pen using liquid graphite in suspension. Big advantage: You could erase the line as you would a pencil mark. Parker says it chose this unorthodox way of introducing the new product because it knew others were on the verge of getting on the market with their own versions and it wanted to establish a beachhead.

• Scripto beat Parker to the market weeks ago with its own Fluidlead. This was a 49¢ model developed by Frank Seech, the man who was responsible for the Papermate "banker-ap-

proved" pen.

• Parker then offered to license its Liquid Lead formula to an interested company. Scripto applied and was picked by Parker.

Under the agreement the two companies will make formulas and research available to each other. Scripto goes on making a 49¢ pencil (it is now using the Parker formula). Parker will sell a 55 model, which it hopes to have on the market early next month. It is giving up plans to market a 30¢ model.

What lies behind the pact? Observers talked of an attempt to avoid a patent fight. The two concerns deny this. Scripto claims to have developed a different liquid—not graphite—in its original pencil.

Parker gets several benefits from the deal. It gets royalties from Scripto for the use of its formula, and it gets Scripto's widespread distribution system. What Scripto gets is a little less clear—presumably it wanted the Parket formula.

A compelling reason for the pact seems to lie in remarks that both companies have made—both say they want to avoid the sort of market hassle that ballpoint pens created when they hit store counters a few years ago.

The new market promises to be a hot one. Scripto says it has already received such a "staggering" flood of orders for its pencil that it can't meet the demand—even with a new plant that is producing 60,000 pencils a day. Parker feels so sure of the new market that it is discontinuing production of its standard mechanical pencils.

Atty. Gen. Herbert Brownell, Jr., has asked for dismissal of antitrust suits against three Seattle department stores brought by the Justice Dept. two years ago (BW-Apr.4'53,p74). The three: Bon Marche (Allied Stores), Frederick & Nelson (Marshall Field), and Rhodes Department Store. The charge: that they had made agreements with suppliers whereby these suppliers would withhold goods from price-cutting competitors. Brownell says the evidence is insufficient.

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After 13 years of ponderous litigation, the Federal Trade Commission case against Philip Morris & Co. for its cigarette advertising is about over. An FTC hearing examiner has recommended dismissal of the complaint issued in 1942, and the full FTC likely will go along with this.

Examiner Earl Kolb, in effect, ruled there is no point in keeping the case alive any longer, since Philip Morris has stopped using both the challenged "less irritating" ad claim and the moistening agent on which the claim was originally based.

In 1952, FTC issued an order barring use of the claim that Philip Morns cigarettes were nonirritating or less intating than other brands. The order was appealed to the courts by the company, however, and from then on FTC's case gradually slipped away. FTC asked the Court of Appeals in Washington to return the case to the commission to correct certain defects in the evidence.

Following remand, FTC vacated its 1952 order, turned it back to Examiner Kolb for further evidence on the main issue: whether or not Philip Morris cigarettes are less irritating than other leading brands.





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ilis-Chalmers Manufacturing Company Harvey, Illinois



CORRUGATED toys hit best seller class in a billion-dollar market

This year, the toy industry rediscovered something that packaging men have known a long, long time: corrugated board is strong, light, sturdy, and low in cost. The result is an ingenious array of child-size corrugated toys that after its first season ranks with the best sellers in America's billion-dollar toy industry.

Most children spend a good deal of their lives in a world of make-believe. And of necessity, they have always used all sorts of makeshift props. But

these new walk-in corrugated toys lend an element of realism and safety no generation of kids ever had before.

In recent years, the advantages of corrugated have attracted a parade of new uses. New-design boxes, shipping containers, and displays have boosted sales, reduced costs, given better protection to countless products. How

many ways can you benefit? Ask your nearby boxmaker. He's listed in your classified telephone directory under "Boxes-corrugated."

Langston doesn't sell corrugated; only the machines that make it. Since 1902, these machines have led the field in efficiency and dependability. Samuel M. Langston Co., Camden 4, N.J.

THINK FIRST OF CORRUGATED



GSTON

Corrugated Container Mach

INTERNATIONAL OUTLOOK

MAR. 5, 1955



The West has given its answer to the new, tough Soviet foreign policy that came with the Kremlin shake-up last month.

- In a secret session at Bangkok late last week, Secy. of State Dulles committed the U.S. to halt any further Communist aggression in Southeast Asia.
- In an historic speech to Parliament this week, Prime Minister Churchill told the Kremlin that Britain, despite its vulnerability, won't be cowed by Molotov's H-bomb blackmail.

With his hard policy in Asia, Dulles has produced new confidence in American leadership there. That confidence is shared by Britain as well as Australia, New Zealand, and the anti-Communist nations of Southeast Asia itself.

He has told them in so many words that the U.S. is prepared to:

- Intervene with full force against any new Communist aggression, whether it be in Vietnam, Laos, Cambodia, Thailand, or Burma.
- Transform any war in this area into a three-front affair so that Red China will have to defend itself against attacks from Korea and Formosa as well as from the South.
- Support the Japanese militarily and economically to whatever extent is necessary to make Japan once again a decisive factor in the Far East.

Churchill addressed his H-bomb speech to the entire world, not just to the British people.

It was in sharp contrast to the things he said while Malenkov was on top in Russia and hinting at an atomic compromise.

Now Churchill has returned to his old policy of boosting nuclear power in the West as the only effective deterrent to World War III. And he has put Britain into the race as the third H-bomb power.

The British Prime Minister dismissed Moscow's boast that Russia has nuclear superiority over the U.S. For three or four years, he said, the U.S. will keep its big lead over the U.S.S.R.—both in H-bombs and in the planes to deliver them.

With the British H-bomb program, Western strength will be that much greater—though Churchill clearly indicated that London means to make its new power felt within the Western alliance.

Thus Churchill has blasted any Soviet hopes of dividing the U.S. and Britain by creating a war scare over Asia.

Churchill made his speech against a British economic backdrop that has lost the bright hue it had last year.

The following day Chancellor Butler announced that London had lost \$82-million in gold reserves during February, thus revealing why he had put such a tight money squeeze on the British economy last week.

British foreign trade just hasn't been prosperous enough to support the kind of consumption boom the country had in 1954 (page 110).

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This week there were more changes in the Kremlin hierarchy.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK MAR. 5, 1955 They prove Nikita Khrushchev is still far from being the kind of top boss in Moscow that he would like to be.

Three men who had been closely associated with Malenkov were moved up to be First Deputy Premiers under Premier Bulganin: chief economic planner, Maxim Saburov, a protege of Malenkov who was under attack by Khrushchev late last year; Anastas Mikoyan, who lost his job as Soviet trade boss just before Malenkov fell; and Mikhail Pervukhin, another Malenkov protege.

These promotions mean that Khrushchev doesn't have the strength to purge the men who were the top industrial bureaucrats under Malenkov.

Premier Ichiro Hatoyama's victory at the polls in Japan this week has its good and bad points for the West.

Washington can be glad that a conservative, dedicated to putting Japan on its feet economically, won a vote of confidence.

But to get that vote, crafty old Hatoyama had to promise Japanese neutralists that he would straddle the fence in the cold war, even go some way toward appearing the Communist bloc.

By using this kind of campaign oratory, the Japanese Premier may have weakened his bargaining position for negotiations that lie ahead. In a few weeks the Japanese will meet the Russians at the U.N. in New York to "normalize" relations between the two countries. And this month a Chinese Communist trade mission arrives in Tokyo to tell the Japanese how they can boost their sales to Mainland China, one of Japan's most important prewar markets.

The Asian aid program now being readled for Congress will have a new gimmick in it—a "swing" fund to be used exclusively for regional economic development.

There will be no time limit on the use of this fund. Congress will be asked to make funds from it available any time good regional projects come up, not just in fiscal 1956.

Any sound development scheme of interest to two or more Asian countries would qualify for fund financing. Likely candidates would be joint waterway, irrigation, and transportation projects.

The regional swing fund idea is a concession to Harold Stassen's Foreign Operations Administration. FOA originally hoped that the bulk of Asian aid could be channeled through a regional organization such as the Organization for European Economic Cooperation. Present plans call for most of the aid to be handled on a bilateral basis—as it is now.

But FOA isn't likely to handle the new Asian aid program. Pressure is hardening in Congress for killing this agency, dividing up its aid operations among various government departments.

The Administration still is divided on a solution. One idea is to move FOA intact into State, with Stassen as Under Secy. for Economic Affairs.

But powerful State Dept. officials want to ditch the FOA administrator. On the eve of Stassen's current trip to the Far East, State advised its Asian embassies: "Attach no particular importance to Mr. Stassen's presence in Asia."

PAGE 108

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Money for your jeans

Bank loans play an important part in clothing America. Here's how:

Before 1830 you couldn't have bought a pair of ready-made work britches for love or money.

But came the sewing machine, and a handful of enterprising Americans hitched up their homespuns and went to work to make the ready-to-wear business a major industry.

Today U. S. manufacturers produce batter than \$11,000,000,000 worth of oppored annually.

Here's the kind of help they get from America's bankers.

At the outset bank loans help apparel manufacturers buy vast quantities of finished cloth from textile mills. Bank loans pitch in to help meet cutting, manufacturing and distributing costs. They also contribute to the improvement of production techniques and new equipment for plants.

And ... they do more, too.

On the consumer level, bank loans frequently help retailers set up shop with enough sizes, styles and patterns to meet the requirements of everybody in the community. Loans like these put money to work and thus naturally put men and women to work. This leads to a plentiful supply of goods and a wider distribution of wealth. Multiplied by many industries it becomes one of the most progressive forces in America for providing a wider choice of fine products for all to enjoy.

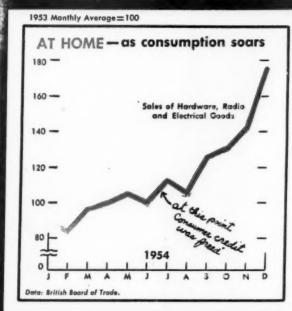
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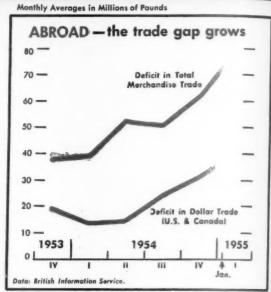
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BUSINESS ABROAD

The Pressure on the British Economy





CBUSINESS WEEK

Britain Can't Afford a Boom

The rosy glow of 1954 has been wiped off the British economy. In fact, Britain faces another period of economic uncertainty, perhaps even of political uncertainty that could temporarily weaken the U.S.-British partnership.

That's the meaning of this week's announcement that London lost \$82-million from its gold reserves during February—the biggest loss in any month since the 1951 crisis.

This announcement, in turn, explains why Chancellor Butler last week subjected the London stock market and the whole British economy to a real money squeeze—a bank rate of 4½% (the highest since 1932) plus restrictions on consumer credit. He had to use this stiff medicine to get at the source of Britain's latest ailment—a runaway boom in domestic consumption that was putting Britain in the red on its foreign trade account (charts, above).

• No Crisis—There is no feeling in Washington and New York, nor in the capitals of Western Europe, that Britain faces another crisis like those of 1947, 1949, 1951. The British economy of 1955 has far more economic strength and flexibility, partly because of big

gains in productive capacity and partly because the Conservatives have brought back enough economic freedom to give market forces a chance to work.

What's more, Butler is given high marks for decisively using orthodox monetary policy, instead of resorting as Labor did to import restrictions and other physical controls, to get the British economy back in balance.

• But a Threat—Even so, last week's jolt and this week's awareness of the economic pressures behind it have led trade and financial experts everywhere to take a new look at Britain's economic capabilities. The general conclusions:

 Over any extended period, prosperity in Britain's domestic market hinges, as in the past, on how prosperous Britain's foreign trade is.

 During the past year Britain's exports haven't been flourishing enough especially in the face of rising import prices—to support the kind of consumption boom the country has been enjoying.

 So Britain finds itself faced with the threat of real inflation at home and a serious deficit in its foreign trade.

• Bitter Dose-The break in the London stock market last week, the worst

since Churchill was defeated in the summer election of 1945, was a good indication of how sour Butler's medicine tasted to British business. With a 1% hike in the bank rate, coming several weeks after a previous ½% rise, government bonds were bound to fall just to get yields into line with the new structure of interest rates (page 118).

But the sharp break in industrials was just as clearly a reflection of how the investor, particularly the small fellow, viewed Britain's new economic climate. Even though stocks bounced back some this week, the consensus is that London's two-year-old bull market has seen its best days.

Butler admitted all this when he suddenly prescribed his monetary medicine last week. The story of what happened to the British economy during 1954, a year of economic expansion throughout the free world, explains why he had to administer such a bitter dose.

I. The Home Demand

At home, it was a year of unprecedented prosperity. Production, investment, employment, disposable income, up. E Treas was n ary—a age for But especi chart)

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personal consumption—everything went up. By January of this year, the British Treasury's industrial production index was nearly 5% over the previous January—and 33% above the monthly average for 1948.

But it was personal consumption, especially of consumer durables (first chart) that showed the biggest jump in 1954. Consumption spurted faster than ever after restrictions on consumer credit, known in Britain as "hire purchase," were lifted at midyear (BW—Jan.29'55,p108).

• Vanishing Surplus—For the first half of 1954, the foreign trade picture looked almost as bright. Britain netted a half-year surplus of £178-million on its total foreign accounts. The relatively small deficit in its merchandise trade was handsomely offset by the so-called invisibles—earnings from shipping, insurance, banking, and oil.

surance, banking, and oil.

In the second half of last year, this picture changed. Britain's import bill rose, sharply while exports remained steady. This produced a rising deficit in merchandise trade (second chart). As a result the balance of payments surplus, which had looked so substantial in the first half of the year, disappeared during the second half.

Although precise figures for the second half aren't available yet, there was no doubt that if things went on as they were, Britain was heading for a big over-all deficit in 1955, with a real exchange crisis a certainty.

• Pressure—Put briefly, what had happened was this: As home demand rose last year, it exerted a double pressure on Britain's foreign trade accounts. The rising demand sucked in more imports of food and raw materials. Unlucky for Britain, this happened just when the terms of trade were turning against it. At the same time, domestic demand was so strong that it tended to divert into the home market goods and basic resources that might better have been devoted to the export market.

II. The Sterling Story

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It wasn't just this trade situation that was worrying Butler ever since the beginning of 1955. He was also concerned about the weakness of sterling over a period of several months.

There are at least a half dozen angles to the sterling story. But two stand out:

• From last September, when Britain backed away from convertibility, traders in the outside world quit loading up on sterling as they had been doing during the spring and early summer. During those months London had appeared to be moving definitely to make the pound convertible into dollars for current trade. There was no flight from sterling, at least not until last month, but demand for it definitely slackened.

• Ever since the widening of the market for "transferable" sterling in the spring of 1954, this "cheap" sterling has been used increasingly for commercial payments to sellers of raw materials in sterling area countries. Many holders of old sterling balances, as well as such big earners of new sterling as the Middle Eastern oil princes, have been converting sterling into dollars or gold at a 2% to 3% discount.

There has also been "commodity shunting." When the discount on the pound is as much as 3%, it pays European and American traders to buy commodities in London, sell them in the dollar market, and end up with a dollar profit. This, of course, means that the sterling area, which ships the commodities, doesn't get the dollars for them.

• Corrective—Last week Butler took special measures to correct this situation. He ordered Britain's Exchange Equalization Account to intervene when necessary to support the price of transferable sterling. This move, plus the boost in the bank rate, quickly sent the price of this "cheap" sterling up. But it's too soon to say that Butler has eliminated the discount that made special deals in sterling profitable to outsiders.

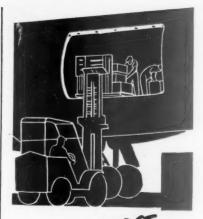
Some U.S. money experts think this move brings Britain closer to convertibility. They argue that if Butler's tight money policy produces the desired results at home, as they expect it will, London will then be in a position where it can move almost automatically to make the pound convertible for current trade.

III. Aims and Hopes

There is no real evidence that Butler has any such purpose in mind. For the present his aim is clearly to snuff out the incipient inflation in the British economy, stop the leakage of dollars through sterling weakness, and produce a surplus again in Britain's overseas account.

• Taxes—As a politician, he may even hope that his preventive medicine will work well enough and fast enough to permit a reduction of income tax in his April budget. This was still being suggested last weekend in London. Some City wags were saying "tight money means a loose budget."

There is no doubt that some tax



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FIRM NAME CITY & STATE relief would help the Conservatives politically. Labor has already gained political advantage from the switch in government policy.

Still, it's hard to see how Butler can avoid a tough budget. If he has any tax relief in mind this year, he is more likely to wait for an opportune time to reduce the heavy purchase taxes still imposed on cars and most consumer durables. These taxes can be changed by decree anytime.

Even this could happen only if the high bank rate plus the new restrictions on consumer credit (a 15% downpayment and two years to pay) bring a drastic reduction in home consumption.

· Confidence-Whatever the immediate prospects, Butler has no doubt about the ability of the British economy to move steadily ahead once the current readjustment is completed. Against the signs of strain that have showed up in the past six months he can chalk up some impressive gains:

· Most British exports are more competitive than they were a year or two ago. Costs in Britain haven't risen as much recently as they have in West

Germany and Japan.

· Private expenditures on plant and equipment rose steadily last year, and are expected to go up 8% to 10% this year, with factory building almost

· Productivity has shot up in many industries as new equipment, new methods, and new designs have gained. The opportunity for workers to buy consumer durables, often on the installment plan, has provided just the incentive Britain's industrial workers needed.

· Big investment programs-in railways, roads, and steel-have been scheduled for the next few years; these promise greater efficiency for the British

economy as a whole.

· Dilemma-It remains to be seen, though, whether Britain can find the resources to carry out so much investment on schedule, and still boost exports to the extent required. If you add the investments that will be needed immediately for the production of H-bombs. and in a year or two for the production of guided missiles (probably over \$1-billion), you can see that something will have to give somewhere.

In other words, it won't be easy for the British economy to handle the 'great power" defense activities on which Prime Minister Churchill insists, and still make the kind of private investments needed to keep Britain competitive in world markets, produce enough exports to assure a payment surplus, and provide a rising standard of living for British workers.

But Butler apparently hopes that his monetary medicine will damp down the consumption boom just enough for the British economy to achieve these aims.

Oilmen Bridle ...

... at unpublished United Nations report that charges oil pricing policies gouge Europeans

A much-publicized—though still published—U. N. report called "The Price of Oil in Western Europe" the oil industry in a ferment.

Here, in essence, is what the report

· Although crude oil production in the Middle East is substantially cheaper than in the U.S., the price of Middle Eastern crude is tied to U.S. crude oil

 Integrated companies that both produce and refine oil) can subsidize their European refining operations out of big profits made from crude oil and thus make it difficult for independent European refiners to com-

· European price and production patterns for oil products are tied to U.S. patterns. In the U.S., the greatest demand is for the lighter oils. In Europe, it's for the heavier oil products. But says the report, European prices reflect demand patterns in the U.S. rather than in Europe.

Preliminary drafts of the report, prepared by the Secretariat of the U.N. Economic Commission for Europe, were widely circulated, ostensibly only to member governments. Actually copies of the report found their way into the oil industry and various newspaper offices, especially in Europe.

· Fireworks-Current fireworks stem nearly as much from widespread charges in Europe that the oil companies have tried to suppress the report, as they do from the contents of the report itself. The whole affair broke into the open when the Middle Eastern companies were billed in British newspapers as "oil bosses" who are making huge profits at the expense of consumers.

Apparently the companies got word that the report was being drafted and tried to get a commitment that it would not be released until they had been given a chance to read it and give their answers.

· Replies-Since the furor started, American oil companies have hit back Says Standard Oil Co. (N.J.), "... it is regrettable that such a one-sided presentation should be presented as 'fact,' when it actually contains gross misstatements, misuse of statistics, and unjustified implications."

ECE headquarters in Geneva now says that both national and private interests are being given a chance to "sup-

plement" its report.

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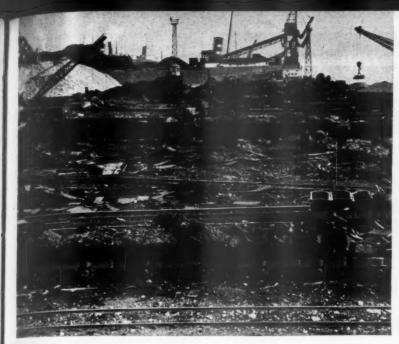
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Scrap steel commands a premium as . . .

Europe Grabs for Metals

Last weekend, at the quayside in Rotterdam, an American ship was unloading U.S. scrap steel for the scraphungry Dutch economy. Alongside, a Dutch ship was loading Dutch scrap for an even more starved German in-

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It seems odd. But it is hardly strange in a world where Japan is shipping aluminum to Britain; where one of Germany's new Mercedes-Benz autos may be the reincarnation of a scrapped Model T from New Jersey; and where collapsible Italian corporations are buymg copper for Russia from Germany via Switzerland.

In the word of a metals expert, the market abroad is havwire. It has been for months, it may become more so. Copper and steel, finished metal and scrap, are the two commodities in most urgent demand. Quicksilver, nickel, aluminum, cobalt, and others share in

• Tighter Controls-In the case of copper and copper scrap, vaulting demand abroad has been enough to tighten U.S. controls on exports. Last weekend, the quota on copper scrap shipments for the second quarter was shaved 33% below the February-March allotment. There's growing concern over scrap steel exports, and Washington was asked to impose some kind of controls on sales abroad at a meeting at the Commerce Dept. this week. Aluminum scrap exports are causing alarm, and the die-casting industry this week called for government action.

Behind it all is the well-advertised industrial boom in Western Europe. From Britain up to Sweden, through the six nations of the European coalsteel community, even into Spain and Yugoslavia, steel production is soaring. Factories are chewing up more raw materials of all kinds as consumers can afford to buy more hardgoods (BW-Feb.26'55,p130). Inventories are building up, yet there is no sign that the metals demand is abating. Even when the British Treasury jacked the bank rate another 1% last week-which may herald a slight slowdown in the British industrial pace-metals stood their ground while the stock prices wilted.

There is another probably less advertised factor in the metals rush. It's impossible to prove its existence, or measure its effects. But many metals men hold to their hunch that an important amount of metals is disappearing behind the Iron Curtain.

governments · Loopholes-Officially, and businessmen say that the controls on East-bound exports are working well. To be sure, curbs on exports of some commodities, including metals products, have been eased. But at the same time, important loopholes for trading in prohibited goods have been plugged. Few officials admit that controls are being broken extensively, or that Iron Curtain buying has perceptibly influenced the market.

On the other hand, traders in London will tell you that while tonnages of copper going through the Curtain



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aren't "enormous," they are enough to cause a partial break in the price if they were suddenly stopped. And, looking at metals from a strategic angle, some believe that U.S. export controls on copper are designed as much to prevent transshipments to Communist countries as to preserve domestic supplies.

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The Russians and their cohorts used many metals from the outside (a horse-back guess is that the Soviet bloc produces 400,000 tons of copper yearly needs 500,000 tons at a minimum). They are reported to be paying \$80 at ton over the world price for copper, and similar fancy figures for nicked mercury, cobalt. Scrap steel is probably being transshipped to Communist milk as well. One West German official told auskness week that the Soviets are busing cobalt at a "terrific" pace. Cobalt is a prime strategic metal—for high-allow steels (used in jet engines especially) or, as one pessimist notes, for atomic use.

• Intrigue-All kinds of devious dealsfalse documents, midnight loadings in European ports, outright smugglingare suspected in metals markets. A fairly recent transaction went some thing like this: A German metal fabricator got an order from an Italian firm. He received an export license from his government on the strength of an Italian import license sent on from Rome. The catch was that the Italian outfit was a front for Soviet buyers, the Italian license a forgery. The metal left Germany consigned to a Swiss middleman. The Italians then ordered the Swiss to divert the shipment to a satellite nation. The German exporter was paid by the Italians, but failed to get the required Italian arrival notice. On investigation, the Italian firm had vanished.

No one will guess at how much metal is going behind the Curtain. It's probably more than Western officials care to admit; it's probably below what would be called dangerous levels. At any rate, East-West shipments, however large or small, are overshadowed by demand in Western Europe. For Americans, that promises a healthy increase in exports to Europe this year, perhaps on the order of 5%. But for the U.S. metals trade there are other angles. Copper and steel, especially scrap, are the two metals in highest demand in Europe; in both cases, the U.S. is the largest producer and the largest consumer. What happens to the two abroad is of mounting concern. • Copper-The copper shortage stems from production cutbacks in major producing areas last year and rampaging demand by European industry. You can

see it in these figures: Delivery of copper to U.S. fabricators fell 16.4% in

1954; outside the U.S., mainly in West-

ern Europe, it jumped 50%. At the

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BUSINESS

BUSINESS WEEK . Mar. 5, 1955

sme time, strikes in Northern Rhodesia, Chile, and the U.S. cut into supply (page 88). The price, especially in Europe, went scooting. Fear of more competition from copper's substitutes helped restrain prices in the U.S.

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Europeans don't see demand easing for months ahead. West Germans are buying all the copper they can lay hands on; some businessmen believe that the copper tightness will cause acute economic distress in electrical and automotive industries especially. To a lesser extent, other Europeans share that fear, and already feel pressed by the U.S. clampdown on copper exports. (There's a complete embargo on exports of refined copper of 100% U.S. origin; no controls on copper with a foreign ore content.)

How the copper market will fare during the rest of the year is hard to foreast. Supplies should increase; Northern Rhodesia's output is now back to two-thirds normal and there's hope this week in London that the strike can be completely settled soon. Chile is producing more for Europe, too. Inventories are building up here and there abroad, and you hear reports of large speculative copper holdings that might come out of hiding if the copper market weakens.

By midyear, perhaps, copper prices will stabilize—though at a fairly high level—and the hysterical rush for supplies will calm down.

• Scrap Iron, Steel—Europe's busy blast furnaces are picking the world over for scrap, and the U.S. is counted on to provide the bulk. In each of the past two months, exports of U.S. scrap amounted to 275,000 tons, an annual rate of 3.3-million tons. That would be 1/2 times 1954 volume, 12 times 1953.

The Germans, again, are the most aggressive buyers. They may well produce between 19-million tons to 20-million tons of steel this year, and Ruhr order books are full up for 24 months ahead. They are buying scrap everywhere, paying \$4 to \$5 a ton this week in Holland over prevailing Dutch and German prices. All along the line, Europeans, noting that their own wartime scrap has been melted down, fear U.S. curbs on scrap exports. Fortunately, U.S. scrap inventories are high. But this country needs scrap, too, especially as the steel industry begins pushing above 90% of capacity.

Some experts believe the U.S.—and the world—face a chronic, long-term strap shortage. The problem had its beginnings in the 1930s, when the U.S. shipped 20-million tons abroad—at a time when over-all steel output, which eventually becomes scrap, was low. Then World War II blasted millions of tons of would-be scrap to smithereens. We've never completely made

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BUSINESS WEEK • Mar. 5, 1955

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Big Steel for the Argentine?

U. S. business wants to build a plant; Washington may help with a large credit . . . Britannia rules the ship. yards . . . Cheaper dollars in Canada.

One of the hemisphere's most important steel deals may be coming off within weeks. It would bring Yankee capital, equipment, and skills into Argentina as never before.

Involved is the Gen. Manuel Savio steel plant, a 450,000-ton, \$200-millionplus project planned by a mixed government and private Argentine corporation. For years the mill has been an Argentine dream. Lack of financing for imported equipment, complicated by political angles in Washington and Buenos Aires, has held up construction.

Now it looks as if the financing is nearly set. Westinghouse Electric International Co., long interested in the steel deal, has an application at the Export-Import Bank for a big export credit, perhaps \$60-million, to help build the Gen. Savio plant. Westinghouse would be prime contractor on the project, representing a group of U.S. engineering and manufacturing firms who would supply advice and equipment. In the end, a good bit more than \$60-million worth of U.S. goods and services would be involved; the companies will probably finance some of the equipment themselves.

This week, the credit is in the lap of Ex-Im Bank. And while neither the bank nor Westinghouse is talking, Washington observers give the deal a good chance of going through.

The Argentines have already spent a packet of money on the Gen. Savio mill. A French group has been building ore handling facilities; Germans are supplying coke ovens; and Armco Steel of the U.S. is an engineering consultant. Last May Argentina boughtfor \$9-million-the U.S.-made steel mill originally purchased by Czechoslovakia but impounded by Washington.

The Gen. Savio plant would mean a tremendous foreign exchange savings for Argentina. Yet even its production would be a drop in the bucket of demand, now some 2-million metric tons yearly, a quarter of it unsatisfied. Argentina now produces under 300,000 metric tons yearly, and hasn't the foreign exchange wherewithal to meet full demand through imports.

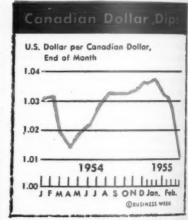
Free world shipping grew in 1954 by more than 5.25-million gross tons, the largest increase in 34 years excluding wartime. Lloyd's Register reports 1,233

steam and motor ships (over 100 gross tons) launched last year, compared with 1,143 vessels in 1953.

Britain and Northern Ireland continued to lead the non-Communist world-253 new ships, 1.4-million gross tons, 26.8% of the total. That's the highest volume for British yards since 1930; it includes three passenger ships (Iberia, Ivernia, Saxonia) and five supertankers (20,000 to 30,000 tons).

West Germany's return as a major builder is reflected in its 268 vessels, largest number of any country, representing 18.34% of world output in terms of tonnage. Sweden, meanwhile, moved to third place from fifth in 1953.

U.S. yards dropped 51,323 tons to 476,984 tons, 46 ships against 68 in 1953. But American shipbuilders held onto fourth place, tonnagewise, in the face of a sharp decline in Japan-from 557,339 tons to 413,405 tons.



The premium of the Canadian dollar is fast fading. Early this week Canada's currency stood at just under le over the U.S. dollar, a comedown from 31¢ in December. (The high was 104.3¢ in August, 1952.)

The disappearing premium pleases most Canadian businessmen-people in tourist lines, manufacturers bothered by foreign competition, exporters especially. Ottawa's financial policy chiefs are delighted, too: The premium has been a constant source of embarrassment. U.S. investors may take a different view. Some invested when the Canadian dollar was at a 3% premium or higher; now their investment of

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BUSINESS

103¢ might be worth only about 101¢. Ottawa policy has helped shave the premium. Off and on, the government has bought U.S. dollars in an effort to restrain its high-flying currency. Two weeks ago, the Bank of Canada reduced the bank rate from 2% to 1½%. While the rate has little influence on the money market—chartered banks rarely use the Bank of Canada's rediscount facilities, and money rates are thready low—lowering it as Ottawa has done is a sign that the government likes it that way.

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One reason Canadian monetary policy runs counter to London and to a leser extent Washington is that Ottawa wants to see the Canadian dollar sell closer to par. Lower money rates tend to reduce outside demand for Canadian dollars, and the premium shrinks.

Equally important, Ottawa believes that easy money is what Canada needs now, a shot in the arm for an economy operating at less than capacity and troubled by unusually high winter unemployment.

Recartelization continues in West Germany. The way is clear now in Germany for a merger of Bergbau A. G. Neue Hoffnung (coal mining) and Huettenwerke Oberhausen A. G. (steelmaking). Prewar, the two were one; allied occupation rules split them. The merger follows on the big coal-steel reunion of the Mannesmann successor companies (BW-Jan.1'55,p43).

Hollywood earned \$200-million abroad in 1954, even more of a super-colossal year than had been predicted BW-Oct.9'54,p158).

Britons swallowed their pride, ordered 10 DC-7C transports for the British Overseas Airways Corp. In giving permission to Buy American, the Cabinet ordered BOAC to sell the planes when "equivalent British aircraft"—presumably the Bristol Britannia—are ready to fly.

No relief is in sight for U. S. potash producers, who have been fighting alleged dumping on U. S. markets by East German shippers. The Tariff Commission split 3 to 3 on the dumping case along party lines; the Treasury Dept. found it had no authority under law to impose higher duties under the autidumping statutes. East German potash isn't a big factor in the market, but it comes cheap. Treasury has promised to keep a sharp eye on it.



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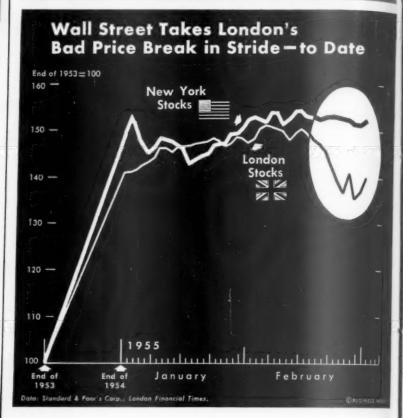
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THE MARKETS



Each Goes Its Own Way

In the old days, Wall Street and the London stock market worked fairly close together. When the London market developed a cough, Wall Street nervously checked itself for pneumonia.

But that's no longer the case. As the work has been changing, so has that old relationship. For a long time now, there has been little connection between the two markets.

The chart above demonstrates the change. The two lines follow the courses of British and U.S. industrial stock prices since the end of 1953. While the London market has lately been in the throes of its worst stock break in many years (page 110), Big Board stocks as a whole have remained calmly buoyant.

• Minor Worries—This doesn't mean that U.S. market men have ignored the goings-on in Britain. They haven't. On more than one occasion, the local market has shown definite signs that London's repeated daily price setbacks were causing worry. London's troubles have not been minor: Up to early this week, the London Financial Times index had

moved up only five times during 17 trading sessions.

But as the chart shows, the bad news from Throgmorton Street has not touched off any major selling on Wall Street. What's more, thanks partly to recent signs of rally in London—though this may prove only temporary—the Big Board's industrial group was acting at midweek as though it might try to crash through the 1949-55 bull market high it registered a short time back. According to some market students, the industrials may well make it.

• Dissenters—You can find some Wall Streeters, however, who sharply question the wisdom of all this equanimity. They doubt that London's market troubles have entirely ended. They even think the London bull market may have been finished by Britain's action in upping the bank lending rate to 4½% (from 3%, in two jumps) and in restricting consumer credit.

These Streeters don't put much faith in London's recent rallies, at least for the moment—even though the rallies have recovered a quarter of the overall price drop, which was more than 10%.

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BUSINES

To the doubters, the recent bounce has all the earmarks of a technical upturn such as is often seen after a sharp break.

The doubting Streeters insist, too, that a psychological connection still exists between Throgmorton and Wall Streets—though they agree the two markets aren't so close as they once were. These Streeters recall that a London stock break (a result of the notorious Hatry failure) preceded the Big Board debacle in 1929. And they still aren't certain that London's current break has yet exerted its maximum pressure on Wall Street—particularly if the London trouble hasn't ended.

• Argument—Bullish Streeters scoff at all this thinking. They claim London's troubles weren't caused by top-heaviness in the market itself, but by investor and trader concern over deflationary measures taken by the British government. And they feel that the whittling of stock prices by now has already allowed for whatever effects these deflationary measures will have on future corporate profits and dividends.

British institutional investors (which hold huge amounts of stock) apparently agree with this reasoning. Reports from London say little of the recent selling has come from them.

But observers point out that many British blue-chips soared so high in the bull market that their yields dropped to within 0.5% of those on long-term governments. As a result, investors in London were worrying over the market earlier this year just as men in New York (BW-Feb.5'55,p40). Many competent observers grew cautious; they feared that prices were extravagantly high.

Capital Goods Shares Get the Nod

Shares of capital goods companies as a group have risen more sharply than consumer goods shares (tabulation below) during the past 18 months. Standard & Poor's capital goods index is

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now at an all-time high, while the consumer goods index is 1.4% below the peak recorded on Feb. 7. Gains in some components of the indexes are as follows:

	End of	1954-19	955 Range		Gains Si	nce 1953
	1953	High	Low	Present	Maximum	Now
CAPITAL GOODS INDEX	196.1	320.9	198.2	320.9	+63.6%	+63.6%
Agricultural machinery	128.9	180.5	135.6	178.4	+40.0	+38.4
Building materials	168.3	299.2	170.4	299.2	+77.8	+77.8
Chemicals	267.6	382.4	264.3	382.4	+42.9	+42.9
Copper	143.6	257.6	149.7	252.1	+79.4	+75.6
Electrical equipment	211.5	378.1	215.9	375.0	+78.8	+77.3
Pertilizer	387.4	601.4	389.8	584.8	+55.2	+51.0
Lead and zinc	83.6	116.5	81.5	114.4	+39.3	+36.8
Machinery	166.4	283.6	170.8	283.6	+70.4	+70.4
Mining, smelting	103.2	199.5	107.6	199.5	+93.3	+93.3
Office, business equipment	261.0	510.5	265.9	510.5	+95.6	+95.6
Railroad equipment	97.9	147.7	101.2	147.7	+50.9	+50.9
Shipbuilding	230.7	516.2	245.0	496.5	+123.8	+115.2
Shipping	471.0	679.7	474.9	671.9	+44.3	+42.7
Steel	192.6	374.1	195.0	374.1	+94.2	+94.2
CONSUMER GOODS INDEX	171.8	237.1	173.9	233.7	+38.0	+36.0
Automobiles	215.1	345.7	220.2	329.6	+60.7	+53.2
Auto parts	155.5	237.2	158.0	237.2	+52.5	+52.5
Carpets and rugs	90.2	128.4	86.0	127.6	+42.4	+41.5
Confectionery	130.8	155.5	128.6	147.9	+18.9	+13.1
Distillers	379.7	483.2	376.2	455.6	+27.3	+20.0
Proprietary drugs, cosmetics	160.7	234.1	159.7	233.5	+45.7	+45.3
Food products	169.0	207.7	168.9	207.2	+22.9	+22.9
Glass containers	127.1	177.2	128.5	175.2	+39.4	+37.8
Leather	134.5	200.8	138.6	188.8	+49.3	+40.4
Metal containers	121.1	151.1	117.2	142.6	+24.8	+17.8
Motion pictures	161.8	264.8	164.5	256.1	+63.7	+58.3
Printing, publishing.	120.9	183.4	123.7	183.4	+51.7	+51.7
Radio-television, electronics	262.4	458.9	265.7	458.9	+74.9	+74.9
Retail stores.	199.0	250.4	201.3	250.3	+25.8	+25.8
Shoes	120.3	147.9	120.7	147.9	+22.9	+22.9
Soaps.	202.9	296.2	204.0	281.5	+46.0	+38.7
Sugar.	79.3	108.0	82.9	107.0	+36.2	+34.9
Textiles and apparel	202.2	270.5	194.0	266,2	+33.8	+31.7
Tires and rubber	512.4	938.6	517.2	917.4	+83.2	+79.0
Tobacco products	78.2	83.0	69.9	79.0	+6.1	+ 1.0

Dala: Standard & Poor's Weekly Indexes (1935-39 = 100).

Wall Street Talks...

... about chain letters
... chagrin over dividend
news and denial of rumors
... bouncing by blue chips.

They're using chain letters now to "bull" stocks. Making the rounds is a letter featuring St. Regis Paper common. It reads: "Buy as many shares as you can afford. Try to buy at least 10 shares. Then send copies of this letter to at least 10 friends . . . Keep St. Regis and sell it later at a good profit."

Don't enter "at the market" orders. That's still the advice of many brokers. Markets continue so thin on many issues that execution of such orders often produces disappointing results.

Unfavorable dividend news really hurts these days. Last week, Bullard Co. shares dived \$5.50—to \$41.50—when directors omitted the usual 50¢ extra.... This week, Elliott Co. dipped \$4.50—to \$24.75—when the quarterly dividend was cut from 40¢ to 25¢.

Market letter gleanings: "This is a dangerous period but a highly profitable one." (Hicks & Price). . . . "The impending Washington investigation . . . should carry no threat, but to the extent that it proves a sounding-board for stock market critics it could have untoward market consequences." (Arthur Wiesenberger & Co.) . . . "our guess now is that individual issues will . . . continue to rise." (Talmage & Co.)

Mutual funds are the Streeter's best friend. Standard & Poor's Corp. estimates that sale of their new shares in 1954 provided \$69-million of commissions for security dealers and salesmen. Changes in their portfolios produced another \$19-million in commissions.

Peoria & Eastern Ry., another high flier, got its wings singed, too. On rumors that the New York Central, which leases the road, would offer its bonds in exchange for the shares, Peoria Eastern soared from \$52 to \$77.87. Last week the Central denied the story, and the shares slid to \$70.

Even the blue chips bounce. Here's what happened one day last week to much-admired Amerada Corp. on trades involving 5,600 shares: opened at \$209.25, dropped to \$208.25, zoomed to \$222.50, closed at \$219.

LABOR

Coming to Grips With GAW

Without mentioning guaranteed annual wage, General Motors implies it will fight the plan sought by United Auto Workers.

Statements by the No. 1 auto company disclose its views on issues that will come up at the bargaining table.

Ford gives indications it will stand solidly with GM in resisting the union demands.

Although it hadn't changed its business suit for boxing trunks, General Motors was in the ring this week, getting in its first licks in the looming fight over the guaranteed annual wage (GAW).

Because actual contract bargaining with CIO's United Auto Workers won't begin for at least another month, GM's licks, like the union's so far, were in the form of public statements. They were noteworthy for four reasons:

 They were the first word on GAW from the company that, in deciding to fight or yield on the GAW demand, can commit a large section of U.S. industry;

· They didn't mention GAW;

 Yet everyone knew GM was talking about it;

• They implied that GM was going

to fight on the issue.

GM was well fortified against one charge it wants to avoid: that it is conducting its bargaining with the union through the press. Its two statements were issued in its normal business pattern. One took the form of a public comment, which GM is accustomed to make each time there is a quarterly review of its wage rates as called for by its escalator contracts. The other was the usual statement from the president preceding the corporation's annual report.

• A Promise Fulfilled—In one statement, GM used the latest, mid-January Dept. of Labor cost-of-living index (page 121) to stress the value of long-term contracts. GM's president, Harlow H. Curtice, commented that the corporation's five-year experience with its c-of-l clause "fulfilled the promise" in 1950 of "industrial peace . . . stable jobs with good pay [and] uninterrupted and high-volume production."

In the second, reporting on GM payrolls during 1954, the corporation also lauded the five-year contract and stressed (1) the steadiness of GM employment, and (2) the corporation's position that present employer-financed unemployment-compensation programs already provide workers with financial protection against lavoffs.

Until the GM statements, UAW had done most of the talking on guaranteed-wage and other 1955 auto demands. This course is natural; the union, as the aggressor, has less to lose from publizing its views on why wage guarantees should be written into industry contracts. Management, on the defensive, is in an unenviable position. Its contrary arguments, in advance of bargaining, could provide UAW with invaluable negotiating help.

Largely for this reason, auto managements staved on the sidelines, letting others not immediately involved do the talking against guaranteed pay—the National Association of Manufacturers, the Chamber of Commerce of the United States, and various trade associations.

• Ford's Answer—Two weeks ago, the Ford Motor Co. gave an oblique answer to UAW's annual-wage demands. It told employees, in a full-page article in Rouge News, the plant weekly newspaper, that Ford is using planning to create employment stability. Ford publicists made certain that the article got wide circulation outside the Rouge.

In substance, the article reported that Ford has stabilized employment as much as it considers humanly possible. It explained that under no circumstances could Ford or any other employer eliminate such factors leading to layoffs as the buying habits of customers.

layoffs as the buying habits of customers.
Actually, neither the GM nor Ford statements said anything new. They do not necessarily mean that either employer has hardened its attitude toward UAW demands. Yet, Ford's article in the Rouge News and GM's current statements are highly significant in content and in timing. GM's carefully

considered and worded comments on long-term c-of-l contracts and on its payroll in 1954 are the company's first detailed discussion of its views on a number of matters—specifically and by indirection—in a way that makes in position plain on bargaining issues.

I. Under C-of-L: Gains

For some time, General Motors has wanted to express its views on the value of the five-year contract with UAW. The latest c-of-l index, unchanged at 114.3% of average 1947-49 consumer price levels (page 121), gave GM the opening it had been waiting for.

The twentieth review of the cofpay allowance under the GM-UAW
contract—the last under the 1950 pact
that runs out June 1 and that may be
rewritten without an "escalator" clause
—was based on the Dept. of Labor's
mid-January index figure. A slight drop
would have meant a penny cut in GMs
present 6¢-an-hour c-of-I "bonus" to
workers. The index remained steady.
• C-of-L Boosts—In noting this, GM
commented:

"During the five-year contract period, the cost-of-living allowance was increased in 11 quarterly periods, decreased in six quarters, and remained the same in three other quarters.... The hourly earnings of GM hourly-alternative employees increased 44¢.... Of this amount, 22¢ represented the net increase in the employees' cost-of-living allowance... designed to protect GM employees against inflation and preserve the purchasing power of an hour of work."

The other 22¢ resulted from the opcration of GM's annual-improvement factor raise clause.

These gains, through the automatic processes in the contract, came without "major strikes in GM plants during the five years," Curtice reported. He citel some figures: GM hourly-rate employees lost "an average of only 33 minutes per man per year during the period because of work stoppages. The best record was achieved in 1954 when only three minutes per man employed on the average was lost because of stoppages."

Curtice also noted:

• Some 82,000 new jobs "were created since June, 1950, an increase of 20% . . . in less than five years . . . accomplished despite a steady decline in defense jobs during the past two years."

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• Work remained "at steady and high levels" throughout the five years, with hourly-rate employees averaging 41.5 hours in 1950; 38.9 in 1951; 40.4 in 1952; 41.9 in 1953, and 40.4 in 1954—a five-year average of 40.7 hours.

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• Under the CM pension plan negotiated in 1950, 12,700 hourly-rate employees have retired and have received \$11.8-million in benefits, and \$168-million has been paid out to hourly-rate employees in sickness, accident, death, and hospital and surgical benefits under jointly financed insurance programs.

UAW is already on record for a two-year limit on the next contract. It is at least cool toward continuing a cof-l clause. And it has, among 1955 demands, proposals for increased pensions and "improvements" in insurance provisions of the existing contract.

II. Payrolls: Steady

General Motors' statement on its "good year" for GM people in 1954 follows the general lines of one issued a year ago. It emphasizes the steadiness of GM's payroll and, again, the expanding "job opportunities" in GM plants. But unlike the 1954 statement, it goes into the financing of state unemployment-compensation laws.

• Jobless Pay Benefits—The insertion of this matter may be because GM reportedly has become aware that many

workers do not realize that unemployment-compensation payments are employer-financed.

The statement emphasizes, in two places, that employers pay the cost of unemployment compensation—GM alone, through 1954, paid \$263-million into state funds—and that except for minor provisons in two states "neither general tax receipts nor contributions of employees go towards payment of unemployment benefits."

The report also noted in its one general reference to contract demands, which it will face beginning in April:

"Public discussion of various types of so-called wage guarantee plans have tended to obscure progress already made in stabilizing employment, and . . . to divert attention from the fact that there are already in existence employer-financed unemployment compensation systems regulated and administered by state governments."

• Maintaining Stability—GM described its own efforts to maintain job stability, through overtime in peak periods rather than increased employment, and by "progress" in reducing the duration of the model-change closedown. At the same time, it cited employment figures for 1940 and 1954 to show "an increase of 287,000 good jobs in only 15 years." Growth of employment is a stock answer to union charges that automation is reducing employment opportunities.

What's Happening to It Cost of Living: 1947-49 = 100 Food Clothing Housing Total Rent Only January, 1948 101.3 January, 1949 102.7 January, 1950 100.6 January, 1951 108.6 January, 1952 113.1 103.8 100.4 100.0 98.8 101.4 102.7 103.6 103.3 97.0 96.7 104.4 107.5 109.9 103.8 110.4 110.6 115.0 107.0 113.9 116.0 January, 1953 113-9 January, 1954 115-2 February 115-0 March 114-8 April 114-6 May 115-0 113.1 121.1 104.6 116.4 113.1 104.9 118.8 127.8 112.6 104.7 118.9 127.9 112.1 104.3 119.0 128.0 112.4 104.1 118.5 128.2 113.3 104.2 118.9 128.3 115.1 115.2 115.0 113.8 104.2 118.9 128.3 114.6 104.0 119.0 128.5 113.9 103.7 119.2 128.6 Santamba 112.4 104.3 119.5 128.8 Octobor 111.1 104.6 119.5 129.2 110.4 104.3 119.7 129.4 110.6 103.3 119.6 129.5 Jan. '55

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Pentagon Revamps Risk Plan

It streamlines the defense plant program to give it "more sophistication." But unions still complain that criteria for judging security risks are too fuzzy.

Unions have been complaining for more than a year about the number of suspensions of defense workers as security risks, and the amount of time—as long as a year—sometimes required to clear workers for access to highly classified government information.

Last week, the Defense Dept. took steps to reduce the number of unnecessary suspensions and to speed clearances. It revamped its security program covering some 2-million workers in plants that make secret materiel for the military services, and for the first time assumed direct control over clearances. The object, according to one Pentagon official, is to inject "more sophistication" into the program, and to produce "more intelligent decisions."

The revised policy followed a report that some 4,000 workers were suspended as security risks during 1953 and 1954—and at least 1,000 were cleared and allowed to return to jobs only after lengthy layoffs. At the time of the report, Wilbur M. Brucker, general counsel of the Defense Dept., said many of the suspensions by local plant officers were under narrow "strained" interpretations of secrecy rules.

• Final Say—The revised program, effective Apr. 2, will lessen the influence of local security officers. Two boards in the Pentagon will have the final say on who is or isn't a security risk in a defense plant.

Here's how the revised system will

Plant security officers will make the first check on employees but—except in "emergency" cases—won't be able to suspend anyone. Cases that look risky will be referred to a Central Screening Board in the Pentagon, which will determine whether a suspension is warranted.

If a suspended employee wants to appeal, he will be given a hearing before one of three regional review boards located in New York, Chicago, and San Francisco. In the event of a split decision there, or if a "novel issue" is involved, a Central Review Board in the Pentagon will make the final ruling on the suspension.

• More Complaints—While unions approve the revision of clearance steps, they still have two complaints:

They say the criteria for deciding who is a security risk are too vague and fuzzy. Regulations list 22 reasons why a worker might be a poor risk—ranging from membership in a subver-

sive organization to habitual drinking and other personal habits.

They object to the government's refusal to allow workers accused
of being security risks to confront their
accusers.
Last week's Defense Dept. action did

not touch these two criticisms. The White House handed down the 21 "risk" criteria, and the FBI (which screens workers) insists that its source of information must not be divulged.

• Management's Role—Management's only responsibility in the screening process is to see that employees fill out proper forms. But if an employee is found to be a security risk, the problem of what to do about him is dumped on the employer's desk. The Defense Dept. does not require him to be fired—in fact, it emphasizes that a worker's failure to be cleared "does not pre-

Seniority Compromise Ends Goodrich Strike

clude his participation in unclassified work."

One of the first major strikes of the 1955 bargaining season ended this week in a compromise—with some concessions to the United Rubber Workers (CIO) on the one key issue: B. F. Goodrich Co. seniority rules,

Some 9,000 employees, all URW members, struck last week at Goodrich's Akron plants, and 1,300 in Tuscaloosa, Ala., as bargaining bogged down on a supplement to a contract negotiated in October, 1954. Economic issues were cleared up then. As in the case of Goodyear Tire & Rubber Co. (BW-Feb.26'55,p108), recent negotiations were limited to working conditions.

At Goodrich, URW demands concentrated on seniority rights. The company recently shut down its Goodrich Fuel Cell Div. in Akron, and shifted its work to another city. Some 400 jobs were affected. The union, in a move to protect veteran employees in any such situation, followed up with strong insistence on making seniority rights plantwide. Past Goodrich contracts limited seniority rights to jobs in a single division within the plant.

In the agreement signed last weekend, Goodrich agrees to plantwide seniority for all employees with two and one-half years of service. Adm 18th

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BUSINES

States Tackle Labor Laws

Jobless-pay proposals liberalized but fall short of Administration's goal . . . Utah's legislature passes nation's 18th "right to work" law.

More liberal jobless-pay benefits are being sought in state legislatures this year, at the urging of the White House and w trong union support. At least eight states have acted so far to boost unemployment compensation. More than half the remaining 37 states with legislatures in session have jobless-pay bills pending.

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Labor Secy. James P. Mitchell commented last week that the states' biggest bid in 20 years to bring unemployment compensation laws up to date indicates "considerable success" for the Administration's jobless-pay program—which calls for benefits of at least half of regular pay for up to 26 weeks of idleness.

However, most of the bills passed or proposed fall short of the recommended standards. For instance, in the first eight states to act, benefits were raised in Arkansas from \$22 a week to \$26; Idaho, \$25 to \$30; Iowa, \$26 to \$30; New Hampshire, \$30 to \$32; Rhode Island, \$25 to \$30; Tennessee, \$26 to \$30; Utah, \$27.50 to \$33; and Vermont, \$25 to \$28. In one state, West Virginia, the legislature turned down an increase from \$30 a week to \$35.

Over-all, proposals before legislatures would set new maximums ranging from \$25 in Texas to \$50 in California, with Delaware, Kansas, and Utah providing for benefits of 50% of regular pay. The average now provided for in state laws amounts to around \$25.

Most of the changes will probably he adopted, but proposed increases in the duration of benefits (up to a 39-week period in Missouri) are running into strong employer opposition. Moreover, in many states management is sponsoring provisions for tightening the administration of state laws, to curb abuses.

The present drive for unemployment compensation increases has broad significance in view of labor's 1955 guaranteed wage demands. The United Auto Workers (CIO), particularly, has been urging states to revise laws so that annual wage plans can be dovelailed into jobless-pay requirements (BW-Feb.21'55,p142). So far, legislative committees seem little inclined to do this.

A new "right to work" law has been adopted by Utah's legislature and signed by Gov. J. Bracken Lee-making Utah the 18th state to bar all forms of

compulsory unionism and to outlaw concerted action by workers to this end.

Similar laws barring the union shop are sought in Colorado, Connecticut, Indiana, Kansas, Maryland, Massachusetts, Missouri, Oklahoma, and Wisconsin. Idaho's legislature recently turned down such a proposal.

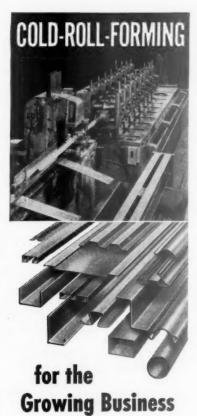
Meanwhile, unions are continuing efforts to kill existing laws wherever they chalked up political gains last fall (BW—Dec.18'54,p46). Repeal motions have been rejected in South Carolina and in North Dakota. In Tennessee, a repeal motion was turned down (BW—Feb.19'55,p175) but has been brought up again at the Governor's insistence. Repeal bills are also pending in Iowa, Nevada, North Carolina, and South Dakota.

Minimum-wage laws are issues in at least a third of the states where legislatures are in session. Wyoming's House has just passed a bill providing for a 75¢ hourly minimum. In North Dakota, a proposal for a \$1 minimum got a quick rejection. And in Arkansas, the legislature killed a proposal to hike the minimum pay for women from \$1 a day (for nine hours) for the unskilled—mostly field workers—to \$2.80 for an eight-hour day, and from \$1.25 a day (for nine hours) to a straight 45¢ an hour for skilled women workers.

Unions are lobbying in state capitals of industrial states for a \$1.25-an-hour minimum wage—the same figure they are pressing for in Congress.

Laws providing for the regulation of union welfare funds have been proposed in New York (BW-Jan.8'55,p52), Washington, Wisconsin, and Pennsylvania. And study groups in other legislatures are considering the introduction of bills, in some instances after consultation with AFL and CIO.

New state labor relations laws or bills for expanded mediation and conciliation programs are before legislatures of seven states—Colorado, Connecticut, Delaware, Indiana, Kansas, New Jersey, and Oregon. The reason for the revival of Oregon.



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AFL Defied

Butchers will risk suspension by taking in leftist Fur & Leather Workers, despite federation warning.

The Meat Cutters & Butcher Workmen (AFL) last week took final steps to absorb the leftwing Fur & Leather Workers—despite a warning that such action might mean suspension from AFL. At the same time, the butchers' union resumed unity talks with the United Packinghouse Workers (CIO). Its goal, it announced, is "complete organization of meat packing and allied industries in one big union."

The Meat Cutters' executive board unanimously approved taking in the Fur Workers after that organization's membership voted overwhelmingly to join the AFL union. The Meat Cutters' constitution gives the board power to act in mergers, so from a practical standpoint the amalgamation is now completed, according to Meat Cutters officers. Ratification at the next convention, in mid-1956, is expected to be only a formality.

• Controversial Head—The incoming unionists will go into a new Fur & Leather Workers Dept., headed by Abe Feinglass, president of the old Fur & Leather Workers.

An instructor years ago in the Communists' Chicago Workers School, Feinglass told AFL union officers he "dropped" membership in the Communist Party nine years ago after a "strong difference of opinion" over policies. He was elected president of the Fur & Leather Workers in October, 1954, succeeding Ben Gold—convicted in federal court of falsely swearing he had no Communist ties.

• Charges—In addition to objections to some of the leftwing union's top leaders, AFL charged that some 30 or more fur and leather locals are still under leftist control. Meat Cutters officers deny this, and say that the group coming into its ranks has been "decommunized." Officers of the butchers' union expect the AFL executive council will approve the merger this May.

• Another Match—The union of the Meat Cutters and Fur Workers was hardly completed when officers of the AFL butchers met with counterparts from the rival United Packinghouse Workers (CIO) to discuss another consolidation. Talks between the two have been held before, and leaders are in substantial agreement on the desirability of getting together.

The split between AFL and CIO was a big barrier in the past. Now that the parent bodies are drawing together, the possibility of amalgamation of the met unions is greater. Hitches are possible UPW's strong position against are bias must be protected with guarantes, and there are other complications. None at this time seems strong enough to do more than just delay a merger.

• 400,000 Strong—Currently, not counting the Fur Workers' claimed 70,000 members, the Meat Cutters reports 282,000 members, and UPW 119,000. Union would mean a membershin of more than 400,000 in me. 100 this alone—a powerful force for companied or industrywide bargaining. Even so, leaders of the AFL and CIO meat unions see this as only the beginning they expect any consolidation of forces in the industry to include, in short order, many of the independents that negotiate now with major packers.

LABOR BRIEFS

Labor costs are now about 62% of total railroad operating costs, carriers told a federal fact-finding board studying a conductors' wage demand last week. The roads complained that the union is trying to "put the squeeze on"—by a strike threat—for an extra pay hike.

Settlement negotiated just before a strike deadline gives United Auto Workers (CIO) employees of Chrysler Corp. of Canada, Ltd., a 40¢ hourly taise and two more paid holidays during the 1955-56 contract period.

Imported Polish hams now make a \$100-million-a-year dent in the domestic meatpacking industry and should be barred, the Meat Cutters & Butcher Workmen (AFL) told the President and members of Congress last week. According to the union, the imports have "cut down on the production of domestic hams and . . . caused unemployment." The union says it isn't opposed to "the import of meat products from Germany, Norway, and Denmark," but only from "behind the Iron Curtain."

Political action by AFL and CIO city organizations in Chicago played a "very important part" in upsetting Chicago's Mayor Kennelly, according to Richard J. Daley, union-backed candidate who won the Democratic nomination over Kennelly. Unions contributed funds and manpower. They claim members turned out in greater strength for Daley than in last year's Congressional election. But observers say it's significant in view of talk of labor political solidarity after an AFL-CIO merger, that three important AFL locals backed Kennelly.

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PERSONAL BUSINESS

BUSINESS WEEK MAR. 5, 1955



The U.S. had more than its share of hurricanes, droughts, and floods in 1954. Only part of the great toll in property damage that they took was covered by insurance; the rest of the loss came out of the victims' pockets.

One sure way to recover part of these uninsured losses is through your income-tax return. You can deduct any loss caused by storms, fire, theft, or any other casualty that is not compensated for by insurance or otherwise. Every dollar of damage taken as a casualty deduction offsets a dollar of other income.

Tax recovery is determined by your top tax bracket. For example: If you are in the 47% bracket, a \$100 loss saves you \$47 in taxes. In the 75% bracket, the saving is \$75 on each \$100 or casualty-loss deduction.

This means that if you are in a very high tax bracket, you may get cheaper casualty coverage through tax deductions than through insurance. For one thing, the premiums you have to pay to carry such insurance are not deductible. Thus when these premiums are subtracted from insurance proceeds, a high-bracket man could wind up with less money than he would have got from a casualty deduction.

But suffering a casualty loss and proving it to the tax people are two different things. Here's what you have to do to make sure you get a deduction when you have a property loss:

- Prove that a casualty—such as a hurricane—affected your property.
 Pictures of your property before and after the event will help. So will newspaper stories and photos placing the damage in your neighborhood.
- Fix the amount of your loss. This amount is the difference between the property's value before and after the casualty, but not in excess of your cost. Get a statement from a competent appraiser—an affidavit, deposition, or appraisal—as to the relative values. You might find support in records of offers to buy your property before and after.
- Once you find the amount of the loss, reduce that by the insurance collected as compensation. What remains can be taken as a deduction.

Remember that there are some severe restrictions on what you can claim as losses. For example, you can't deduct rental payments for temporary quarters when your home becomes uninhabitable as the result of a storm. Nor can you claim sentimental value, such as the loss of an heirloom.

How about damage to trees and shrubs? A recent Treasury ruling says that they are part of your realty, thus have no separate value. You can measure their loss only by finding the value of the entire land before and after the casualty.

Here's another important consideration: In general, a casualty deduction can be taken only in the year it is suffered. But court cases have allowed deductions later on, when it has been impossible to tell that there was any damage in the year it occurred.

If you know there was damage, but not its extent until a later year, you still have to take the deduction in the year it occurred. When you later find your full loss, you file an amended return or refund claim for that year—thus correcting your original deduction.

Watch out for this odd twist: A casualty might bring you a capital gain.

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PERSONAL BUSINESS (Continued)

BUSINESS WEEK MAR. 5, 1955 Say your house cost you \$20,000. Before a casualty, its value jumped to \$30,000. From your insurance company, you got back \$22,000.

You really profited by \$2,000, when you compare this amount to your original cost. To escape paying a tax on this profit, you must buy a new house within a year—after the end of the tax year in which you received the insurance proceeds. And the cost of the new house must at least equal the amount of the proceeds. Otherwise, you will be hit with a capital-gains tax.

Some new late-winter reading that may be helpful preparation for some of your spring and summer activities can be picked up at your bookstore.

In the do-it-yourself line:

- Antique Reproductions for the Home Craftsman, by Raymond F. Yates (McGraw-Hill; \$4), has clear working plans and instructions for making reproductions of Early American furniture, tips for antique buyers.
- Easy Home Repairs, by Lee Frankl (Bobbs-Merrill; \$3), has a seasonal check-list for homeowners, gives step-by-step explanations for a wide range of remodeling and repairing projects.
- Plywood Projects for the Home Craftsman, by Robert Scharff (McGraw-Hill; \$3.95), contains plenty of working drawings, photographs, room layouts—plus clear text—to guide you on making scores of plywood articles.

For amateur experts in astronomy, meteorology, and dogs:

- A Guide to the Planets, by Patrick Moore (Norton; \$4.95), covers the history, present knowledge, and possibilities for exploration of planets and satellites within our solar system.
- Exploring Mars, by Robert S. Richardson (McGraw-Hill; \$4), gives detailed information about our closest planetary neighbor, the chances of life there, and travel to it.
- Our American Weather, by Dr. George H. T. Kimble (McGraw-Hill; \$4.75), sets right for the layman many myths about our weather.
- The New Book of Dogs, edited by Carlton Brown (Bobbs-Merrill; \$2.75), includes photos and descriptions of the 111 recognized breeds, has chapters on buying, feeding, training, grooming, and general care.

A good workbench is an important piece of equipment for any homeowner to have—even if he's not a home craftsman. If you have neither the confidence nor the time to make one, get a pre-cut job you can assemble.

Latest addition to this field is a six-ft. precision pre-cut bench that can be assembled with a hammer and screwdriver. Made by Atlantic Engineered Products, Inc., of Hamden, Conn., it can be bought (price: \$19.95) either by mail or in hardware stores.

Note two new drug developments this week:

- Most important is the release for use on prescription of a substance to treat rheumatoid arthritis, said to have three to five times the potency of cortisone or hydrocortisone. Called Meticorten, it was discovered by Schering Corp., is said to be almost free of damaging side effects.
- A more effective treatment for poison ivy is said to have been found in Bristamin, which combines zirconium oxide and an antihistamine drug.

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PAGE 128

yes, all this adds up to quite a DAM!



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but bad for ordinary conveyor belting. To handle this most critical portion of the haulage, United States Rubber Company conveyor belts were selected. Although now in their fifth construction season, the belts are still going strong. This is another example of U.S. Rubber's Three-Way Engineering Service: "U.S." Belt engineers work with the designers of the conveyor system and the engineers of the dam—to provide the *right* belt for the jobs.

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Common and Preferred Stock Dividends

The Board of Directors of Safeway Stores, Incorporated, on Feb. 8, 1955, declared the following quarterly dividends:

60¢ per share on the \$5.00 par value Common Stock.

\$1.00 per share on the 4% Preferred Stock.

\$1.07½ per share on the 4.30% Convertible Preferred Stock.

Common Stock dividends and dividends on the 4% Preferred Stock and 4.30% Convertible Preferred Stock are payable April 1, 1955 to Stockholders of record at the close of busi-ness March 16, 1955.

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February 16, 1955

The Board of Directors has declared a quarterly dividend of 25c per share on March 15, 1955. Checks will be mailed.

February 16, 1955

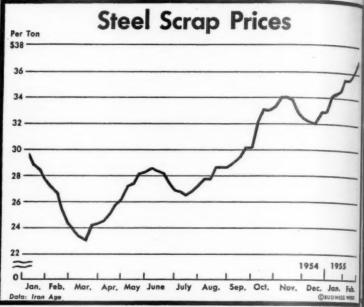
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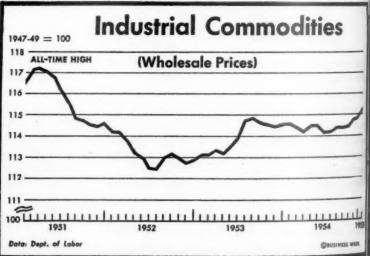
CHARTS OF THE WEEK



Rising With Steel Output

The steady week-to-week rise in steel output since the beginning of the last quarter of 1954, combined with reduced mill inventories of scrap, has helped push steel scrap prices up to their high-

est level since September, 1953. Them has totaled almost 13% so far this par prices are expected to remain stable go higher unless the production at slackens.



Climbing to a 3½-Year High

In January, the Labor Dept.'s index other than farm and food product of wholesale prices of all commodities reached the highest level since July

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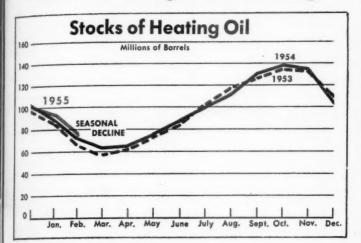
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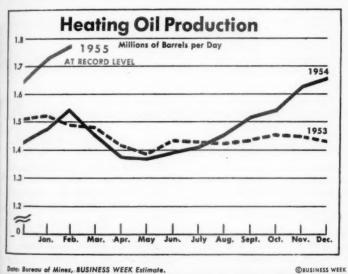
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SI. Price rises for many commodities e been sparked by the increased deand resulting from soaring automobile duction and the continuing construc-

tion boom. The auto upswing directly affects iron and steel products, nonferrous metals, crude rubber, tires and tubes. heavy fuel oil, and industrial fabrics.

How Heating Oil Is Doing





Cold Heats Up Oil Business

Cold weather over much of the naon this winter has cut into heating oil stocks, and demand remains high. The result: Distillate production is running at record figures to satisfy the demand and at the same time keep inventories at their seasonal levels. In recent weeks output has broken records in

response to the stepped-up demand. During the 1953-54 heating season, demand was only slightly better than the previous year. But as of now, it looks as if the 1954-55 demand will top last year's by a wide margin and provide the oil industry with a really good heating



and Saves!

Behind the far-flung field service of Layne Associate Companies is a Research Division with many achievements to its credit. And most of these achievements are practical, resulting in a betterment of all of the many phases of water development.

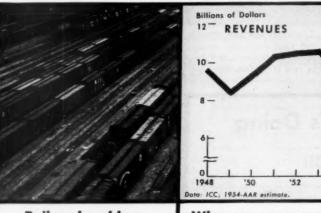
Layne Research not only serves . . . it saves . . . and municipalities, agriculture and industry know that it is good business judgment to "ask the man from Layne."

> LAYNE & BOWLER, INC. Memphis 8, Tennessee



Water Wells Vertical Turbine Pumps Water Treatment

Layne Associate Companies Throughout the World



Railroad problem:

When revenues sag . .



And profits skid ...

What can the railroads do?

They can . . .

This means . . .

But . . .

Campaign for "freedom to compete under fair and equal conditions"

Seeking the right to adjust rates freely, to abandon unprofitable services, to get into new fields

This is strictly a long-range campaign. The last session of Congress killed the railroads' key proposal. This session probably won't do better

They can also ...

Which means . . .

For example . . .

Get more use from a mile of track

Centralized traffic control: With power switches and special signals, one dispatcher can make a pair of tracks do almost the work of four

Many railroads put CTC to work last year

Get more work from the freight car

Univac and other electronic computers: With a computer system to keep track of every car, a railroad can make more efficient use of its rolling stock

Chesapeake & Ohio will be using this to schedule cars soon

Hang onto the food business

Building freight cars that can generate the cold temperatures needed for frozen foods - zero and below. Truckers have been taking this business away

The Fruit Growers Express has cars now. The Santa Fe has a few, with more coming. A handful of other roads are getting these cars too

Rebuild old boxcars for special jobs

Fixing the car's interior so it can haul grains, powders, fine coal. A new method costs less than half as much as a repair job once did

The Rock Island is cocooning cars to haul Texas wheat. Other roads will use the process

COUSINESS WEEK

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Giving Rail Freight New Pep

Railroad equipment manufacturers don't need the kind of statistics charted above to be convinced. Most have

customers-the U.S. railroads-were having bad times. One track accessories manufacturer says: "It was the known for the past year that their best worst year we had since 1934. And

there's no sign yet that this year will be much better.

equipment • Trying-The know, though, that the railroads area



Addressograph-Multigraph saves 29% in fuel costs burning coal the modern way

The Addressograph-Multigraph Corporation has a modern plant in suburban Cleveland. For economy and efficiency, the firm's boiler plant is coal-fired and boasts the latest in coal and ash handling equipment.

Coal offers many advantages to Addressograph-Multigraph. It is easy to handle. Only one man per shift is required to run the boiler plant on a 24-hour basis. There is no air pollution problem. And best of all is the low cost of operation! Coal costs 29.6% less than the next cheapest fuel and 35% less than the third one! With these benefits, no wonder Addressograph-Multigraph is a satisfied user of coal!

Investigate Your Fuel Costs

ear wil

maken

5, 1955

If you're planning to modernize your plant or build a new one—or if you are just interested in cutting fuel costs—find out how coal, burned the modern way, compares to other fuels. Talk to a consulting engineer

or your nearest coal distributor. Their advice may save you thousands of dollars every year.

facts you should know about coal

In most industrial areas, bituminous coal is the lowest-cost fuel available.

Up-to-date coal burning equipment can give you 10% to 40% more steam per dollar.

Automatic coal and ash handling systems can result in a virtually labor-free plant.

Coal is the safest fuel to store and use. No dust or smoke problems when coal is burned with modern equipment.

Between America's vast coal reserves and mechanized coal production methods, you can count on coal being plentiful and its price remaining stable.

For further information or additional case histories showing how other plants have saved money burning coal, write to the address below.

NATIONAL COAL ASSOCIATION Southern Building, Washington 5, D.C.

If your OUTSIDE CONTRACTS or your REGULAR PRODUCTS pose difficult machining problems

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You'll benefit three ways:

- REDUCE MANUFACTURING COSTS
- KEEP LABOR FORCES IN BALANCE SPEED PRODUCTION AND FABRICA-

Manufacturers in many industries are regularly utilizing our specialized equipment and long experience in sub-con-

tract machining to put their own work ahead in one or more of these ways. Write for illustrated booklet giving details of Bridgwater's Sub-Contract Service.



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GRAND RAPIDS GRINDER

Here is extra value, extra accuracy, extra high-speed performance. Every Grand Rapids Hydraulic Feed Surface Grinder has a one-piece column and base for vibrationless rigidity and permanent alignment between cross travel ways and upright headways. Both longitudinal table travel and cross feed are hydraulically operated. On the larger machines, the wheel head is powered for rapid vertical travel. The model 55 has longitudinal table speed of 125 fpm.!

Parts machined to micrometric tolerances, precision assembled for free-dom of action, no play. That's why 6 out of 10 are sold to firms already using Grand Rapids Grinders.

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410 Straight Ave., Grand Rapids, Mich.

just sitting back and beefing. Mrailroads are trying out new kind is goods a equipment in the constant effort internal push revenues and profits back up grade to better times.

The new developments in passes trains attract most attention. Some these, such as the new lightweight ps senger train that the Pennsylvania Rit cent-are board of directors approved for on struction last week (BW-Feb.26%) p34), are fundamental breaks from the past. The new Pennsy train will be lower and lighter than existing onpany trains, but its basic structure differs from Talgo (BW-Feb.1975 cc, paid to p27). Several other railroads are sidering still other kinds of street

It's in the bread-and-butter area d railroad freight, however, that you is the most significant changes in term Controls of turning a railroad into a more profi-

able enterprise.

· Alternatives-There are other thing of course, that railroads are doing to try to get out of the rough. But concutting, for example, has its dangers Chmn. Richard F. Mitchell last month warned that the New York Central R and the Pennsylvania were "sooner or later . . . going to run into trouble." He was talking about the deep shell both roads had taken in maintenance expenditures. Both laid off thousands of maintenance workers last year Mitchell said, in order to wind up the year with a profit.

As a remedy, Mitchell proposes in what the railroads have been crying fur-less regulation. He says, "I believe it would be wise to limit regulation to the fixing of rates." The roads have been building up, too, their complaints about subsidies for their rivals, and to

exemptions.

• Freight Electronics-But these at long-range hopes. And what is happening in railroad freight indicates many roads are doing more than hoping.

Take the Chesapeake & Ohio Ry. and the Univac computer system that is going to simplify its freight revenue accounting procedures and its payrol operations. For the C&O, this will end the sluggish delays that go with warbills-those papers that railroads use to keep track of in-transit freight.

Instead of manually making out a duplicate waybill for each piece of freight that is transferred every time a freight car switches from one train to another, a Univac unit will do all this duplicating. Waybill duplicators throughout the system will feed the information into Cleveland head-

Univac will make it possible for C&O to keep close tabs on every piece of freight in its railway system, and also Rebuildin to schedule its cars more efficiently. When a shipper wants to know where his month

134

BUSINESS WEEK . Mar. 5, 1955 USINESS WE

erts say th ortant of competitiv n their ca route. Of cours &O's cost ficial sour \$25,000 eloper of emRand could get at since (L a num CTC) is at is cha hings. CT ome 1,600 ith it last CTC ma get a lo ack. It v he dispatcl 0 miles ar ncks. Wit racks-nort or all trains on they t eight trai am., and in at 9:1 n the nort

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for coneb.2655 Of course, a complex system such as of course, a company of course, a course of course of course, a course of ng on 525,000 a month. (That's a rental structure structure ee, paid to Remington Rand Inc., de-eb.193; ee, paid to Remington Rand Inc., de-eloper of Univac.) The story is that are on RemRand worked for months before stream tould get a railroad to accept Univac. area of but since C&O took the first step last you find in to show interest.

n tems Controls-Centralized traffic control thing things. CTC has a jump on Univac; time 1,600 miles of road were equipped ut cost with it last year.

dangers CTC makes it possible for a railroad month o get a lot more use from a mile of ack. It works like this: Say you're oner or he dispatcher on a line between cities rouble. p slat With CTC acks. With CTC, you can use both rall trains, no matter in which directyear, on they travel. Suppose you have a up the right train scheduled to depart at am, and a faster-moving passenger am at 9:15 a.m. You start the freight at the northbound track. Fifteen minute later—if the other track is clear—the passenger train goes out on it. By \$30 a.m. the passenger train has passed the freight. You switch it back onto the northbound track, using crossover that links the two tracks every am., and a faster-moving passenger se are 10 or 15 miles.

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There is virtually no danger of and on collisions, because the disatcher's power switches and special enals control all trains on both tracks. n that Refrigeration-Truckers have taken hig bite of the freight business in the payroll ast few years, particularly on short-ill end and perishables: fruits, vegetables, men foods. Reason: Many roads were in to use mechanical refrigeration sysout a patr, ice, and salt—couldn't produce ce of the low temperatures—zero and below—ime a f mechanical refrigeration systems. . Their old-fashioned brine tanks-

Now, more railroads are taking to o all the mechanical systems. The Santa Fe cators in the mechanical systems are cars, to add to its present 30. The init Growers Express Co., alert to he needs of its West Coast customers, C&O as more than 400 cars, and is buying the of mother 150.

also Rebuilding-Rail men are putting ently. en life in old freight cars, too. Later where this month, the Rock Island RR is



HAUSERMAN MOVABLE WALLS

Pay a \$14,558 Dividend

TO THE SEIBERLING RUBBER COMPANY

When the administrative office building of The Seiberling Rubber Company was built near Akron, Ohio, in 1945, Hauserman Movable Walls were installed throughout. Already, reallocations of office space have been required to accommodate additional employees and changing work routines. Result: Savings of \$2,273 over comparable tile and plaster wall remodeling costs.

Even more important, however, are the \$12,285 maintenance savings since 1945. These substantial savings were made possible through the elimination of repainting expense. Just routine washing preserves the beauty of the exclusive Hauserman lifetime wall finish.

There will be more floor plan changes at The Seiberling Rubber Company as time goes by, and Hauserman walls will be moved quickly and economically to meet changing needs. Of course, maintenance dividends will continue, too. Isn't there an idea here for you?

auserman Movable Interiors Provide Earlier Occupancy - Fire Resistance - Sound Control - Utility Access In Offices - Laboratories - Hospitals - Industrial Plants

FREE BOOKLET! Describes the many costsaving advantages of using movable steel walls for every type of nonresidential application. also reports on how eight companies saved a total of \$595,363 by using Write for your copy today.

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Please send your free booklet to:

__ Zone ____ State __



 Delighted owners say the newest product of the world's oldest sewing machine company is "almost human, the way it turns out arrowheads, dominoes, or any of 101 stitch variations completely automatically. The trick is accomplished with little "Fashion" Discs molded of Durez, each one marked with the stitch it produces.

Singer finds Durez phenolics — the ultra-strong "working class" of plastics so versatile in fitting physical, thermal and electrical requirements that

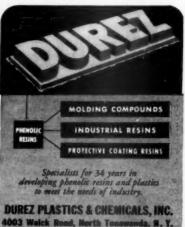
motor housings, controls, terminal blocks, and lead plugs are molded of a special impact compound. The material contributes importantly to dependable operation, safety, and light weight.

TOMATION too

It's another application of Durez phenolics that suggests there's no end to the possibilities these plastics offer in product improvements. To help you find them for what you make, Durez offers you the benefit of 34 years of specialized phenolics experience. Call on your molder, or write us.



Selection of a Durez impact-type phenolic for parts of the new Singer Automatic Sewing machine was dictated by balanced physical, electrical and thermal properties of this plastic. Singer says the six discs molded of another Durez phenolic help save hours in every step of dressmaking.



PHENOLIC PLASTICS for the new Competitive Era

going to try out some made-over to for hauling Texas wheat. The Ro Island says it had to spend just or \$20 per car. The Pennsylvania Santa Fe are using the same patching process on cars carrying such thing powdery clay and flour.

All three roads are getting their put materials from the R. M. Hollingshe Corp., Camden, N. J. The basic id goes back to the mothballing of Naships just after World War II.

Hollingshead calls the process on oning." It works like this: A plate cooning.' cement is spread around floor and val holes with a paint spray gun. Ale of glass fiber goes over the spray, on ering up the holes. A second spray as the cover.

The job is not permanent, but the railroads figure it will stand up for he or three years. And the cost is he one-third to one-sixth the cost of a placing boards. The Rock Island a car interior that's in very bad share can be covered completely for arou \$200. To rebuild the same car would cost \$400 or more.

· Other Moves-Railroads are trim other new methods.

· Some diesel locomotive reprint shops look more like assembly-line to tories than shops.

· Southern Pacific RR is trim out low-cost residual oil in its died A special new converter is said to mike its use possible.

• Freight yards are sprucing on The Union Pacific RR's yard at North Platte, Neb., has a computer-controlled system that memorizes the destination of incoming freight cars, automatical switches each one to the outbound train it's supposed to catch.

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· Piggyback hauling: The New York, New Haven & Hartford RR testing a new type of flatcar for trailer-on-flatcar hauling (BW-Feb.26 55,p30). These cost no more than old style 40-ft. flatcars, yet can haul two trailers instead of one.

 What About Locomotives?-There is still experimentation on new type The two most advanced-Norfolk & Western Rv. Co.'s coal-fired steam twbine and Union Pacific RR's 25 gas tubines (BW-May16'53,p63)-are showing up well. Both have been used for freight only.

Norfolk & Western's locomotive has gone through more than 19,000 miles of road tests. The road says it has hardled 13% more tonnage than prese locomotives, saves up to 30% on ful

Union Pacific is happy with it p turbines, says its operating costs lower than they would be with dies of comparable power.

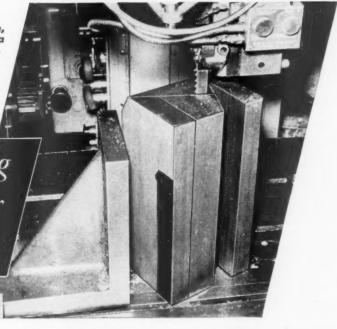
But locomotives such as these have a long way to go to overtake the diesel. Diesels have almost saturate the U.S. railroads.

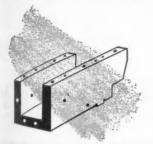
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BUSINESS WEEK . Mar. 5, 195

 This slotting operation, performed in 72 minutes on a DoALL band machine, formerly took 325 minutes on a milling machine.

A new machining concept to cut your production costs!





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. 5, 1955

TIME SAVING: 7 hours, 3 minutes. Total band machining time on this part (slotting and cuting the end) is 3 hours, 12 minutes. Performing the same operations on a milling machine took 10 hours, 25 minutes.



NEW COLOR FILM — "Production Band Machining" now available showing operation of new machining concept, How would your plant machine 100 duplicates of the part illustrated above? You are seeing it being made on a power feed DoALL band machine at about ½ the cost of milling, the previous method used.

Production band machining has come of age, with new bigh speed steel blades that last for more than 3000 square inches of cutting and cut up to five times faster than previous blades. The work is positioned on the hydraulically powered table and automatically fed into the continuous-cutting saw band. A built-in coolant system permits high cutting rates. Variable speeds and feeds and a wide range of different blades provide optimum production and finish. Machine tool accuracy is obtained.

Once you see it, you realize that band machining is the *obvious* way to do this and thousands of other production machining jobs. But, to get the savings this new concept offers, you have to look for the jobs in your shop that band machining can do faster and cheaper. A DoALL man will help you find them. He'll bring a machine to your plant and demonstrate its advantages, free of charge. Write or call. *The DoALL Company, DesPlaines, Ill.*



PB-6 rev.



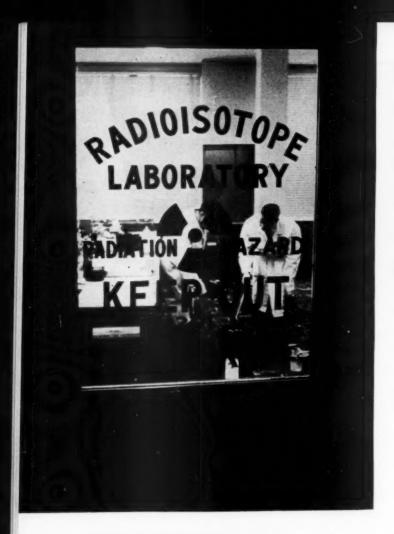
friendly DoALL Stores... (in 40 cities)

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WALL CHARTS

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Lower quantity prices.





Esso Research & Development Co., along will a growing fraternity of other companies, uses all isotopes in its research. Esso is studying piston in wear. This involves exposing rings to radioaction Esso's problem: How to get rid of the "hot" (above) after the testing is over? The problem i solved in Esso's case by Radiological Service (A) H. Glasser.

He's Industry adi



Esso's hot piston rings are in container. Glasser CHECK wields a cautious Geiger counter.



He presses the lid on tight, thus precluding to SEAL should the container tip in transit.

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BUSINESS WEEK . Mer. 5, 150 TUSINESS WE

DOUBL

GLASSER'S



CLASSER'S ROUTE takes him to the Esso labs at regular intervals. A phone call gets him for a rush job any time.

Madioactive Garbage Man

(Story continues on p. 140)



DOUBLE CHECK Station wagon loaded, he makes sure driver's seat is healthy.

Next step: a company secret.
Radioactives are eventually
dumped in the sea — but where
and how, Glasser and his company aren't telling.

NISINESS WEEK . Mar. 5, 1955

PERSONNEL AND

Just Published-Second Edition!

Explains the scientific principles essential to improving workers' effisential to improving workers' effisential to improving workers' effisential to improve selection, placement, evaluation and training—provides scores of examples and illustrations. 2nd Edition brings new
data on selecting and classifying
workers, motivation of personnel, soclass factors in industry, new rating
By E. E. Ghiselli and C. W. Brown,
Profs. of Psychelegy, Univ. of Calif.
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Twenty experts present specific guidance on management policies and methods to help the business owner, manager, or executive handle such operations as starting or buying a business, financing it, setting up a distribution system, installing cost control, handling marketing and public relations, etc. Brings procedures proved successful in starting businesses, keeping them going, and making them grow with profit. Edited by J. K. Lasser, formerly Adjunct Professor and Chairman, Institute on Federal Taxation, New York University. Prepared by a staff of Specialists. 809 pages,

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(Print) Address

(Story starts on page 138)

The man in these pictures, H. Glasser, has one of the many peculiar scientific jobs created by the growing atomic energy industry. He is a radioactive garbage man.

Glasser's job is to collect and dispose of radio-isotopes used by industry and universities for their research. The job requires a lot of education and a thorough knowledge of Geiger counters.

Glasser works for Radiological Service Co., Jamaica, N. Y., a contracting company that caters to around 60 clients. The company will handle as much or as little radioactive waste as you have to get rid of. You put the waste-either liquid or solid-in special containers on the loading ramp of your plant. Radiological does the rest, with all the safety precautions recommended by the Atomic Energy Commission. To round out its service, the company is also a sales office for Geiger counters and handles repairs and parts replacement for them.

· Route-One day last week, Radiological made a typical collection trip through New Jersey's industrial section near New York City. The list of stops included a university, a top chemical company, a big metals producer, a communications equipment maker. One important visit (pictures) was at the Linden (N. J.) labs of Esso Research & Development Co., a steady client.

Esso has been studying the qualities of lubricating oils in relation to the wear of automobile piston rings. One method of wear measurement-a standard one in several fields-is to expose the part you're studying to radioactivity, making it in turn radioactive. Esso installs its radioactive rings in an automobile engine. The rings wear. The worn particles, which are radioactive, mix with the lubricating oil. A researcher can tell the amount of wear by measuring the oil's radioactivity with a Geiger counter.

After the experiments, the lab staff must get rid of the rings; for they are too "hot" for safety. The used rings are dropped into a container supplied by Radiological and temporarily stored in a corner of the lab, behind a shielding fence. Radiological picks up the waste either during a scheduled stop or in answer to a call for a rush job. · System-Ordinarily, clients follow the same safety practices as Radiological. But at the start of a pick up, the company takes no chances. Glasser first takes a reading to measure the radio activity of the container-an ordinary type often used for tar and paints. There is always the possibility that a client may have accidentally overloaded the container, making it potentially dangerous. Glasser carries the container, or containers, to a station wagon

and there seals the lid tight. For liquid, he sometimes uses a special tic sealant to prevent leaks. He is another measurement, gauging the inques that tivity of the whole wagon. At the other rounds, Glasser heads beat the commany office.

Research the inquestion of the inquestion of the whole wagon. At the other commany office. the company office.

Sooner or later, the day's pick a substant are dumped into the sea far offsh adioactive The exact techniques of dumping a perts fee

company secret.

For personal and company silve there are two other safeguards: Class doesn't wear any special clothing he does carry a little device resemb a fountain pen that measures the activity his body absorbs during the day. At five o'clock, a check of the device tells whether the absorption: within safe limits. The second pres tion is that the firm's plant is check by AEC, which makes sure the on ones will pany operates according to the min w Westing Business—As atomic energy gon racts for especially in the hands of private a control equality, chances are that more out \$121 million. like Radiological will set up shop de where in the U. S. Of course, there posal services will be restricted to the The biggest low-level wastes used by laboratories in that GE ca industry and education. But they are not the Ai have a going business, thanks to me el project simple fact: Standard disposal method 10,000-lb. I worked out by sanitary engineers for it to the ten dustrial and municipal wastes are consist blasts. pletely useless with atomic wastes.

If the waste from a plant is biolog Patinum c nearly harmless (or stabilize it) by ab City is said ing oxygen. A purely chemical wat tuses ultr cal, a sanitary engineer can make it cals. But only time-often measured in centuries-can take care of radioacti BW-Jun. 5

• Problems—The short-lived isotopes corp., a significant by hospital corp., a significant by hospital corp. a significant by hospital corp., a significant by the corp. before you can get rid of them. No are the wastes handled by Radiological a problem. They have a low level of Radioactive

a problem. They have a low level a concerne activity, are safely dumped in the sa en State.

But that kind of disposal, or storage agine wear near a plant, isn't practical for the lost reight. O lived wastes or those with a high level brough the of activity. Wrastes containing the loger count tonium 239—whose half life is 24,000 kive mater. years-can't be stored in big lots und mes. The they stabilize. The material must be tidge reacted concentrated and discharged in an analyto OSC. that's under strict control and montoring.

Recently, the AEC put up its first seement as full-scale treatment plant for radioactive libed in wastes at the National Reactor Test of The Going Station near Idaho Falls, Ida. The Washington plant is designed to handle sewage has and in and "hot" wastes from a laundy in wooden The wastes are "cooled down" in the ce turned into a sludge through filter in the best when the plant incred con the wastes can be checked by instruction ments to make sure they aren't too het. 1,000.

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Researchers right now are having a Because the control of the control o picks adjusted (Wash.) plant. It is substantial but secret amount of adjustive real estate. By 1980, some ping and pillion kw. from nuclear power y sale disposal problem by as much as 100 times—if you measure the probthing lem in terms of storage area, treatment esemble meity, and technical personnel. apacity, and technical personnel. the min

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stomic reactors for two new submames will be designed for the Navy the mk westinghouse Electric Corp. Cony gon tacts for planning the reactors and rivate control equipment amount to nearly re outh \$124 million.

hop ele their de d to the The biggest rheostat of its kind: That's to the time biggest rineostat of its kind: That's atonic of that GE calls the unit it has completed they will be the Air Force's giant wind tuns to used project in Tullahoma, Tenn. The method #0,000-lb. rheostat will be used to constant unit be to be the temperature of the big tunnels' are constant.

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level of Radioactive piston rings will help Orethe sea on State College researchers to test store agine wear with motor oils of varying he loss right. Oil that has been passed gh led trough the engine will be scanned by a gg placeger counter to see how much radio-24,000 the material has been worn off the ts until ags. The rings are exposed to an Oak nust be dige reactor for 28 days before they an area to to OSC.

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Bids Wanted

Misc. Material-scaled bids—to be opened March
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bid opening. Westinghouse Electric Corporation, Air Arm Division, Friendship International Airport, Baltimore, 27. Maryland. Salvage and Scrap, Five lots automatic pilot parts
and special electronic components consisting of
the following: Lot I Misc. Test Equipment,
electronic assemblies and blowers. Lot II Electronic assemblies containing preclous metals.
Lot III Misc. metal containers. Lot IV Misc.
work in process and parts. Lot V Special tools
consisting of dies, lits and fixtures. Material
can be seen between 10:00 and 12:90 AM and
1:00 PM and 4:00 PM Monday through Friday,
from March 1 through March 17, Lot bids only.
Located above.

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NEW PRODUCTS



Field Phones Tripled

The sergeant in the picture is plugging in to a new Army telephone system that is said to handle three times as much telephone traffic as comparable field units used in World War II or Korea. The system, developed for the Army by Bell Telephone Labs, can carry 12 conversations simultaneously for distances up to 200 miles.

The new unit uses miniature parts to cut bulk and weight. When disassembled for carrying, each of the components shown above can be carried by one or two men.

• Source: Bell Telephone Laboratories, 463 West St., New York 14.



Subsurface Sleuth

This lightweight portable core drilling rig is used by miners and prospectors to get rock samples. The hollow bit, which pounds and rotates at the same

time, bites out a thin, continuous of der of rock that tells what's the surface, and how far down.

The rig weighs 50 lb., uses either water or air as a lubricant, and a portedly can chew a 11 in. hole through granite at the rate of 10 ft. per in With coupled extensions, the drilling depth is 100 ft.

· Source: Demo Tool Corp. 87 Melrose Ave., Los Angeles.

Testing Tubeless Tires

It looks as though tubeless tires ail It looks as though tubeless are a two cells reveels, Goodyear Tire & Rubber Channounced that it has been conducing extensive over-the-road tests with in designs that allow the use of tubels the more.

designs that allow the use of tunces tires on big trucks and earth moves.

Tubeless tires have a number of a low, so the lefty believes they wear, and cut weight. But the most is may be save wear, and cut weight. But the lefty believes they have to be used with 1,000 days. be effective, they have to be used with airtight tire rims. On private cars and small trucks, single piece rims are to labecue se problem; but on heavy trucks and by are has an construction machines the rims at scharceal usually made in two pieces—a flat inter all lights the surface and an outer flange that locks in god by the place when the tire is on the rim. Be with the se tween these two pieces there is a go towentional that makes the use of tubeless tires in piecel unit

Goodyear decided to modify the in,

leaving the tire design alone. The are la electronic rim follows conventional lines, but he articles in a thin rubber ring that plugs the gap or second.

The product is still in the testing lead by N. I stage, and has been offered to trucker all Corps en on that basis. When and if the industries as passes its tests, the Tire & Rim Ass. m inch long which sets the standards of the to 1,000 tin industry, may give it its blessing. Sed recognition would give the rim the status of a standard item.

• Source: Goodyear Tire & Rubbe Co., 1144 East Market St., Akron 16.

Spray Gun Insulation

A liquid insulation has been do the University veloped that can be sprayed like paint foams to almost 20 times its original thickness, and dries into a semi-neil coating. Poly-Cell is a mixture of resinous liquids, must be sprayed by special unit that keeps it at the not temperature until it leaves the spor gun. Complete foaming action take about 15 minutes, and the thickness of the final insulating coat deper on the amount originally applied. gallon, sprayed over 100 sq. ft, wi foam to a thickness of 1 in., the man facturer says.

The spray is reported to give good

ulation will mel on't supp lieves th nd the ea e sprayed pes show · Source: 2, 1141 C

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ulation between 225F and -40F. will melt in contact with flame, but es ether dieves that the speed of application and a difference that the speed of appreciation e sprayed around joints and irregular per la spare should make it economics.

Source: Insul-Mastic Corp. of AmerSource: Rldg., Pittsburgh 22.

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tires and two cells run a clock for 500 days. A terman clock marketed in the U.S. by the Community Co., Inc., Rego Park 74, Elmwith in tubes overed by two flashlight batteries. he motor runs only five seconds every he motor runs only nive seconds every now, so the batteries last a long time of a lerty believes that new long-life bat-But b mes may raise the operating time to sed with 1000 days. Cost is \$16.95. sed with

cars and cars and so are us abscuce self starter: Kook-Out Barbe-and his are has an electric heat coil buried in ins are the charcoal bed. Flip a switch, the lat inner oil lights the charcoal but is undam-lock in ged by the fire. A long cord comes im. Be rith the set, so you can plug into is a propositional indoor outlets. The lowest tires in siced unit costs \$16.98. Made by Linkap, Inc., 200 5th Ave., N. Y. C.

The new la electronic eye counts germs or dust but has articles in the air at the rate of 100 the gap or second. The aerosoloscope, develtesting and by N. E. Alexander, Army Chemituuckas el Corps engineer, can also measure the imaricles as small as 40-millionths of mass. in inch long. The method is said to the lite to 1,000 times faster than the usual g. Said acroscopic examination, and may rim the towe useful in air pollution studies and industry. ed by N. E. Alexander, Army Chemiindustry.

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Is It Really Smart Politics?

In approving the Democratic proposal to give a \$20 rebate to every taxpayer and each of his dependents, the majority of the House of Representatives has acted in a clearly irresponsible manner. It placed its approval on a blatantly political approach to the tax problem, an approach that simply offers everybody \$20 out of the public till

The Democratic leadership was taking advantage of the fact that there is a universal desire for tax reductions. There's no doubt that today's taxes, both direct and indirect, are a burden on individuals and companies alike. In addition, the tax structure still contains many inequities and distortions that add to the burden.

Our tax load has increased as a result of war and emergencies that require bigger outlays by the government. In raising taxes, rates are boosted for everybody, but especially for corporations and the limited number of rich. But when Congress gets around to reducing taxes, it is rarely done equitably.

The new bill would cost about \$2.3-billion in federal revenues. This may not seem very substantial, but it is not matched by any decline in government spending. Even more important, it would completely eliminate an estimated 8-million citizens from the tax rolls. The measure, moreover, has been attached as a rider to the bill extending corporation and excise taxes, so that it can be vetoed only at the expense of needed revenue.

It is the contention of the Democrats that last year's tax reductions were designed to benefit business and high income taxpayers. Actually, the chief benefit business got was relief from the iniquitous excess profits tax. Corporations are still paying the heavy tax of 52% that was established during the Korean emergency.

Last year, Congress, acting on the recommendations of the White House, also made fundamental and carefully thought-out revisions of the tax law. These were designed to end some of the inequities that had been built in over the past 20 years. The new Democratic measure stands out in sharp contrast to that constructive legislation, for it is a hasty improvisation.

Tax legislation should not be slapdash. It is too important to be treated irresponsibly. For tax policy not only raises revenues to meet the expenses of government. It also influences the general economy.

Our economy has just emerged from a period of readjustment. We are moving along at a healthy pace. There is no need of a spur to speed its advance.

Thus, the Democrats' move to court votes—a move that would give the economy an unnecessary shot in the arm—is actually flirting with inflationary trouble. Such a measure undermines the government's obligation and responsibility to act as a balance wheel.

It may have seemed like smart politics to the Democratic leadership of the House to offer everybody a \$20 handout. But it may be questioned whether any move

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that is so palpably designed for political advantage as is of such dubious benefit to the nation as a whole of ever be really smart politics.

Salary Hike

In voting to raise their own salaries, members of Congress will face a good deal of criticism. There are the who feel that so long as the budget remains unbalance it is not business-like for congressmen to get a maximum congress which is congress vote the raise for the next Congress rather than taking the increase immediately. And there are undoubtedly others who feel that their congressman is not worth his old salary, much is the new one.

We can't go along with these arguments. The sdesuled increase does no more than compensate for the last in purchasing power of the dollar since Congress had its last pay rise.

From a larger view, we think the increase makes sent because it will enable Congress to raise the pay scale of federal employees, especially those on higher levels. So long as congressmen were limited to \$15,000, they can to regard that figure as a ceiling for all federal employees. This was an understandable reaction, but it discounged able and skilled people from taking government jobs. It also led civil servants to find better paying jobs.

Once Congress has raised its own wages—and that if the federal judiciary—we hope it will recognize the necesity to raise federal pay scales. That is the only way to attract the best people into government.

Jungle of Paper

Following up its report on civil service personnel, the Hoover Commission has released an excellent study or red tape in government. Washington, it makes dex. is literally a spawning jungle of paper. The government spends more than \$4-billion a year on paper and employ more than 750,000 people to shuffle it about.

The enormous growth of government is the min cause for this tremendous use of paper and paper wothers. Thus, the most effective means of cutting cost and promoting efficiency would be by reducing the sax of government. Yet even without any curbing of its activities, the report declares that at least \$250-million a year could be saved (BW—Feb.26'55,p121).

A major problem, according to the study, is getting civil service employees to cut out the use of gobbled gook in letters and memos.

These common-sense proposals merit bipartisan support. Cutting down the vast amount of red tape the engulfs the government would be a real economy. As if we can get more plain talk out of government as ployees, it would increase efficiency and understanding

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